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**Report to Congress - Industrial Cost Recovery
Volume VI. Transcripts of Public Meetings
(Regional Public Meetings)**

Coopers and Lybrand, Washington, DC

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This document presents the U.S. Environmental Protection Agency's final report to the Congress on its Industrial Cost Recovery Study as directed by the Congress in Section 75 of Public Law 95-217, the Clean Water Act of 1977. This provision of the statute requires EPA to study the "efficiency of, and need for" the repayment by industry of that portion of the EPA grant used for construction of industrial capacity in publicly-owned wastewater treatment systems, and requires EPA to report the results of the study to the Congress by December 31, 1978. The final report consists of seven volumes:

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Report to Congress Industrial Cost Recovery

Volume VI — Transcripts of
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(Regional Public Meetings)

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INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Radisson Chicago Hotel
Chicago, Illinois

Monday, October 16, 1978

The public meeting was convened at 11:00 a.m.,
Ted Horn presiding.

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STEPHEN B. MILLER & ASSOCIATES

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P R O C E E D I N G S

MR. HORN: Good morning. I think we'll bring this show to an opening. We have a room for 500 people, and I think we can all count how many of us are here.

Chuck Sutfin, our Water Division Director, was going to make the opening remarks, but he had to return to the office, so I think what I'll do is to more or less read his opening remarks.

Then I'll read some of the opening remarks that I had planned this morning, which will give you a brief rundown really of what we're all doing here this morning, and we'll go into some of the goals and objectives of P.L. 92-500 in establishing the Industrial Cost Recovery System, primarily. We'll touch on User Charges for a small bit.

Then we'll hand it over to Coopers & Lybrand, who will get into the nitty-gritty of what they found out so far on Industrial Cost Recovery.

So, on behalf of Chuck Sutfin, good morning and welcome to the public meeting for Region V concerning Industrial Cost Recovery.

The Clean Water Act of 1977 ~~required~~ that EPA -- it's a Congressional requirement EPA look at the efficiency

and the need for Industrial Cost REcovery.

That study is presently being conducted for the Agency by the firm of Coopers & Lybrand, who are primarily management consultants, I believe. And today and tomorrow their findings and preliminary conclusions on ICR will be explored.

It's important that the public be involved in this study, and it's EPA's intention that statements and concerns of the public be reflected in the Final Report, which is due to be submitted to Congress in December.

So, the order of procedure for our meeting here this morning will be roughly as follows:

First, an explanation of the purpose of Industrial Cost Recovery and the study. At this meeting, this will be presented by myself -- and I am the Region V Specialist in regard to User Charges and Industrial Cost Recovery.

Secondly, Mike Townsley of Coopers & Lybrand will provide a briefing on the scope of the study and the methodology used in its conduct.

Thirdly, a presentation will be given by Myron Olstein, also of Coopers & Lybrand, concerning the findings and preliminary conclusions of the study, as well as some of the possible recommendations which could be made as a

result of this study.

I think right now I'll put in an appeal for you all to voice your opinions. You might as well take a crack at this thing while you've got a chance. I might even do so.

Following Mr. Olstein's presentation, prepared statements for the public record will be made; first, by those individuals who have scheduled a statement in advance; and, secondly, by anyone else who may have prepared a written statement.

And, finally, an open and orderly question-and-answer session. We intend for everybody to be heard who wishes to speak, but I must insist that we follow the format we've just outlined.

We will stay as long as necessary to conclude this discussion.

We have a Court Reporter with us today, and a transcript of this meeting will be prepared for the Final Report, which goes to Congress. For that reason, I must ask you to speak clearly, slowly, and one at a time.

It doesn't look like there's going to be any controversial issues here, so I suspect we can do that relatively easy.

So, okay, now Chuck was going to turn this meeting over to me, so now I'll say what I was going to say. I can be relatively relaxed in this atmosphere.

Welcome. We're glad to see you. We need you.

MR. GALL: Glad to be here.

MR. HORN: You just missed the Division Director's opening remarks, so you got here in time for mine.

I would also like to welcome you to this public meeting.

I'm going to go into now a little bit of what Public Law 92-500 required of a Step 3 grantee. We can only make grants to municipalities; and can pretty much dictate really what they must do to satisfy their grant conditions.

The grant conditions are that they establish a User Charge System for the operation, maintenance, and replacement, to paraphrase the law.

In order to give the grant, the Regional Administrator's got to determine that the Applicant or grantee has adopted or will adopt a system of charges in which each recipient of a service will pay its proportionate share of the cost of operation, maintenance, or replacement of the treatment works throughout his entire jurisdiction.

And then also has made provision for collecting

from industries that part of the Federal grant that was used to construct facilities that accommodate the treatment of his industrial waste.

The law's objective, in establishing these revenue systems, is to place the cost of abatement directly upon the sources for pollution. And really now, those costs occurred through two main avenues: operation and maintenance, replacement, addressed in the User Charge System; and there is a capital cost, and that is addressed in the Industrial Cost Recovery System. Okay.

The purpose of the User Charge System -- and I've just said to you what that is -- and I've covered the second paragraph, since I'm ad libbing as well as reading -- I don't really see too well with these specs.

I think it's important to emphasize right off the bat that Industrial Cost Recovery was never intended to be a funding device for the Federal Government. It was intended as a motivator for industries to recycle their waste and reduce their discharges.

The success or failure of that intended objective we will hear a little bit later on from Coopers & Lybrand. Really, that's what their study is all about.

Congress had several reasons for putting Industrial

Cost Recovery into effect.

Since not all industries can discharge to a POTW, it was felt that a construction grant would offer those that do an unfair competitive advantage; really, they'd be generating taxes from everybody, and then be spending some of the money to build a publicly-owned treatment works which would accommodate, theoretically at a reduced rate, the industrial waste potentially of competitors. So the result would be that one industry may be subsidizing another. They didn't want that to happen.

They wanted to induce industries to discharge to a Publicly Owned Treatment Works. So Industrial Cost Recovery really boiled down to a 30-year interest-free loan.

As part of the background, too, there was a motivation to conserve potable water. I think that when they passed 92-500 it wasn't as obvious to us then as it is now that potable water is a relatively scarce commodity in most sections of the country. We don't see it too much here in our region, but out West they're suing one another about who's seeding what clouds to get rain on which side of the mountains because somebody laid claim to that water that was in the clouds.

An interesting sideline, too, that we have here in Region V: Of all the water in the world, 97 percent of it is in the oceans, unfit for human consumption. Of the remaining 3 percent, 2 percent is frozen in the ice caps. So, 1 percent of all the water in the world is available for mankind; and 25 percent of that is right out in the Great Lakes. So it'll give you a little idea what a tremendous asset the Great Lakes are to this particular Region. And that's why their preservation, if you will, is probably this Region's Number 1 priority, the preservation of the Great Lakes.

Okay. Since the passage of Public Law 92-500, Congress has been made aware of many issues raised by the public relating to the implementation and administration of ICR and its effect, not only upon the industrial user class, but the municipalities as well.

Congress also became concerned whether its intended objectives in establishing ICR were being achieved.

So, the Clean Water Act of 1977 was enacted, and it established an 18-month moratorium on ICR payments while this study could be conducted. Okay. And it also required the study be conducted, and a report to Congress

has to be made by this December. If'll give Congress six months to act.

So, as a result of what you say here today -- and we're a small enough group so we can get together and have a little bit of a meeting of the minds -- it may have a very major impact on what the report tells Congress.

Now, what I'm going to do -- and in the Congressional Record there were nine specific questions asked, or that have to be answered -- and I forget the Congressman's name. I have it here somewhere, I suppose -- Congressman Roberts.

In the outline that was prepared for me by the Contractor it says that I'll read nine questions, so that's what I'll do:

The first question: Whether the Industrial Cost Recovery program (ICR) discriminates against particular industries or industrial plants in different locations;

- And do small town businesses pay more than their urban counterparts?

- What is the combined impact on such industries of the user charge and ICR requirements?

That's the first series of questions that the

Sixth: Whether the ICR program encourages cost effective solutions to water pollution problems?

Seventh: How much revenue will this program produce for local, state and Federal governments, and to what use will or should these revenues be put? And, as I said, it wasn't intended to be a funding device for the Federal Government.

We'll explore -- and, incidentally, you should all have a list of alternatives there by the door that we'll discuss here today that have been prepared by Coopers & Lybrand. We might as well get our licks in, and say if we're going to change it what we want to change it to.

Eighth: Determination of the administrative costs of this program, additional billing costs imposed, costs associated with the monitoring of industrial effluent for the purpose of calculating the ICR charges, ancillary benefits associated with the monitoring of industrial effluent -- which you're going to have to do under the pretreatment program now, anyway -- procedures necessary to take account of changes in the number of industries discharging into municipal plants, and the impacts of seasonal or other changes in the characteristics and quantity of effluents discharged by individual

industries?

Ninth: Whether small industries should be exempted from ICR? And how should "small" be defined? And is there a reasonable floor that can be established for ICR based upon a percentage flow?

And, as all of you know, one of the things the Clean Water Act did do was redefine industries for purposes of applying Industrial Cost Recovery. It's still a question to be discussed, as to what is an industry with respect to the User Charge System, at least the way I view what's been done.

Okay. Coopers & Lybrand has been busy for the past five months asking questions and gathering data from a cross-section of viewpoints.

As a final action in their data collection phase, 10 meetings are being held in the 10 EPA Regional Office cities, to present a summary of the data gathered to date, as well as a preliminary set of conclusions as to what the data means.

We would like to here today gather data and statements from those interested parties with whom we have not had the opportunity to talk in the past, and we want to present a list of some ICR alternatives which could be recommended.

Finally, we want to answer as many of your questions as we can reasonably answer. Our primary purpose, though, is to listen to your comments. Okay.

Now, that's the end of the prepared text. I can't think of any other ticks that I want to get in, so I'm going to turn it over now to Mike Townsley of Coopers & Lybrand, who will get into the nitty-gritty of what the contractors found out in their study for the last five months.

There you go, Mike, you're all set.

PROJECT SCOPE & METHODOLOGY

STATEMENT OF MIKE TOWNSLEY

MR. TOWNSLEY: I'm Mike Townsley, and I was responsible for most of the data collection efforts in the Eastern half of the country.

What I'd like to do is talk a little bit about the scope and methodology that we followed during this project.

When EPA asked us to conduct the ICR study, the first thing we did was read the 1972 legislative history related to User Charge and Industrial Cost Recovery, to find out exactly what ICR was supposed to accomplish.

Stated briefly, there are two major objectives contained in the legislative history:

First: Equity, or the equalizing of the assumed economic advantage for those industries using public sewer systems, as opposed to those industries treating their own sewage. Ted mentioned this.

The second objective was: Capacity, or the appropriate sizing of wastewater treatment plants with adequate, but not excess, future capacity.

A third objective, but not quite as important or central as the first two, was to encourage water conservation.

This background material, together with the legislative history related to the 1977 Act, and especially Congressman Roberts' questions -- again that Ted read -- and Congresswoman Heckler's emphatic statements on ICR, served as the frame of reference for us to plan the study.

Our initial step, in late May of this year, was to sit down with EPA personnel, including John Pai who's with our group in the West, John Gall who's here, and Ted Horn -- was to put together a shopping list of every piece of data that we could think of that would help in

answering the specific questions that Ted raised.

We took this list of data elements, and converted it into a draft, a set of draft survey questionnaires, one for industry and one for grantees.

The draft industrial questionnaires were reviewed with the National Food Processors Association, the National Association of Manufacturers, and other public and industrial associations and groups.

After refining the questionnaires, we developed a survey list:

- We compiled, with EPA Regional Office assistance, a list of about 100 cities which we planned to visit. These cities ranged in size from Ravenna, Nebraska, with a population of 561, to New York City to Chicago. We eventually visited approximately 120 cities, some of them more than once if there were industries or industrial groups of civic groups that were interested and were raising some issues.

Our standard approach was to attempt to meet first with the local agency, the POTW; then with any industrial people, or with any civic or public groups that showed up for that day.

We mailed these survey questionnaires out in

- advance to the people we were going to meet with so they would know the kinds of data that we were looking for. We stressed with them the participation in the survey was voluntary, both to the industries and to the grantees.

In some cases -- in fact in many cases -- the questionnaires were completed after we left, and they were mailed back to us.

- We compiled a list of approximately 200 additional cities that we wanted to use in our telephone surveys. We used the same questionnaires, and we mailed them in advance to the people who we were to be surveying.

- We selected a group of five, which was later expanded to six, industries for detailed study. Although we were interested in industries in general, we were particularly interested in those industries which met one or more of the following criteria: The industries needed to be:

First, labor intensive;

Second, have low operating margin;

Third, be high water users;

Fourth, were a significant total size of the economy of the country;

Had some seasonality;

Had varying degrees of pretreatment standards required or used.

Industries eventually selected for our detailed study were: meat packing, dairy products, paper and allied products, secondary metal finishers, canned and frozen fruits and vegetables, and textiles.

A list of selected establishments in those industries located in the cities we were going to visit was prepared, and the survey forms were mailed to those establishments.

Again, most of our survey forms came back to us by mail.

The entire data collection effort was accomplished within a six-week period, using up to 10 teams of consultants at a time on the road.

The second step in the study -- and just as important as the first -- was to develop mechanisms for public participation in the study. We wanted as much grass roots involvement with the project as we could get. We wanted an open study.

We put together an ICR Advisory Group of approximately 40 individuals representing industrial, environmental, civic, and local government, and congressional

interests, and relied on them to keep their local members involved in the study.

I think most of you have heard, through one or more of those associations, and that's why you're here today.

We held monthly meetings with this group in Washington, and transcripts of the meetings were mailed to anyone interested.

The third step in the project was to summarize and analyze the data collected. We are currently completing this task, and have reached some preliminary conclusions as to what the data means -- and I stress the word preliminary.

Several computerized statistical analyses were developed, and are currently being refined. We have looked at enough data to be able to formulate some possible alternatives to ICR as it is presently constituted.

The purpose of our meeting today is to relate to you what we found, and to get your reaction to it.

After these regional meetings are held, we will put together a draft final report, which will be widely circulated. This will be some time in mid-November.

Then, in December, we will begin to write our

final report, which will be delivered to Congress in late December. The final report will contain recommendations to Congress, which we cannot guarantee that Congress will go along with these recommendations.

Now, at this point, I'd like to turn it over to Myron Olstein, who will relate to you in general terms what we found, what we think it means, what possible alternatives can be suggested, and go on from there.

Myron.

FINDINGS, CONCLUSIONS & POSSIBLE ALTERNATIVES

STATEMENT BY MYRON OLSTEIN

MR. OLSTEIN: Good morning. My purpose is to tell you what we've found during the course of this study, what we think it means, and then to present some possible alternatives to ICR.

The data and statistics that I'll be using are based on our study, but are still in the process of being evaluated, updated and refined in our Washington office.

Rather than handing out raw data, we summarized our data into a handout entitled "ICR Study Data," dated October 10, 1978. You should have received a copy of this earlier.

I will add that we have further refined the data

that's in there, and have some corrections and additions to make to that, which we'll be happy to discuss after this presentation.

During our survey, we received data from a total of 241 grantees, our best data coming from the places where we actually visited. The data that we obtained through the telephone surveys, of course, was not as complete or precise.

We also obtained data from 397 industrial facilities, and most of it through the efforts of trade associations. The industrial data is at the plant level, rather than at the company level.

I have a limited number of summaries of what I'm going to say. I think if everyone shares, there should be enough for everyone to look at.

(The documents were distributed)

Let's start out with the things that ICR was supposed to accomplish, what the legislators had in mind in 1972:

The first thing we looked at was the issue of equity or the assumed economic advantage, i.e., less expensive sewage costs for industries using POTW's, as opposed to those treating and discharging their own

wastes.

In order to evaluate that, we used a computerized model which we developed for industrial clients, and we modified it to reflect both user charge and ICR. Basically, the model incorporates equations which reflect the cost of doing business, and enable a company to evaluate alternatives -- in essence it evaluates the "make or buy" decision: should the company discharge into a POTW or should it treat its own sewage?

What we found was that, for some medium or large industries having compatible wastes it's cheaper in the long run to self-treat, even without including ICR, and that's just the user charges.

This is a very significant finding. What it means is that, even without ICR or pre-treatment costs, large industries should, acting from a purely economic viewpoint, treat their own sewage. This is due to several tax changes, tax law changes, that were not really known to the Public Works Committee at the time they passed the Clean Water Act of '72. They were all enacted some time after 1972. These included:

- Accelerated depreciation for pollution control equipment, in some cases over as short as a five-year

period;

- Investment tax credit for capital equipment;

and

- The use of tax-free IDB's, Industrial Development Bonds, to finance self-treatment facilities.

There are a number of proposed tax law changes which are now pending before Congress which will, if enacted, make it even more attractive to industries to self-treat because of the increased investment tax credits.

What the finding says basically is that it is cheaper to self-treat than to use a POTW.

Now, the question is if this is the case, why don't more industries self-treat?

We discussed this point with a number of decision-makers in industry, and it basically comes down to a number of reasons:

- In many cases, an industry may not be geographically located on a river or stream and must use a POTW;

- In a lot of cases, they just don't want the hassle associated with self-treatment -- NPDES permits, sewage plant operations, that sort of thing;

- And, finally, User Charge and Industrial Cost

Recovery just hasn't been in effect long enough for industry to really see its impact.

The significant thing to bear in mind, though, is that if ICR and pre-treatment costs are added on top of User Charges, they could be the final straw that drives industry out of the POTW's, thus making it more expensive for the remaining POTW customers to use the POTW.

In particular, EPA's application of pre-treatment standards is likely to make many industries consider self-treatment.

Going to the next major point in the '72 Act, the issue of POTW capacity -- Based on the survey of 241 wastewater treatment facilities from which we obtained data, the average POTW uses only 68 percent of its design capacity. The usage ranges from a low of 4 percent to a high of 120 percent.

It appears that ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity.

The third issue, that of water conservation, is not as clear. Based on the industries we surveyed, water consumption has dropped an average of some 29 percent, but

the industries that we spoke to about it attributed the water conservation primarily to higher water rates and to user charges, not to ICR. The reason is that ICR is a percentage of their combined water bill and the user charges, and just is not that significant at this time.

Going on to the specific questions that were posed by Congressman Roberts in the 1977 Act -- Congressman Roberts' questions -- we found that the economic impact of ICR to date is not significant. This is so for a number of cases:

- First of all, because ICR hasn't been in effect for more than a year or two; and

- Most grantees have suspended ICR billings while the moratorium, the current moratorium, is in effect.

The exception to this is in those cases where there are seasonal users or where AWT is a requirement. In those cases, total sewage costs for industries have increased by a factor of several times.

The incremental impact of ICR above User Charges is generally not very great, once again with the exception of those two cases. However, the combined impact of

User Charge and Industrial Cost Recovery can be very significant.

We were able to find only a few scattered instances of plant closings due to sewage costs, but none were attributable solely to ICR.

The total jobs lost by plants that did close was less than a thousand, and in every case there were numerous other factors, such as plant age, which affected the plant closing decision.

The impact of ICR appears to be greatest in older cities, particularly in the Northeast, and also in small-to-medium-sized cities; and, of course, in agricultural communities where most of the seasonal users reside.

There does not appear to have been any impact on industrial growth patterns that can be attributable to ICR.

We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data.

The cost to industry of sewage treatment is much greater, by some 50 percent per gallon in the AWT plants, as compared with secondary plants.

The incremental cost to grantees to maintain and operate ICR -- that is, the purely eliminatable cost above and beyond User Charge cost -- is small, when compared to the total cost of sewage, averaging about \$15,000 per grantee per year.

The average ICR revenues per grantee per year are approximately \$88,000, of which \$8,800 is retained for discretionary use by the grantee.

Looking at it strictly from the standpoint of the amount that's discretionary, we have a cost-to-revenue ratio of 2 at the present time.

There is more data that might be of interest to you which is included in the handout you received, and both Mike and myself would be pleased to discuss it with you during the question and answer period at the end of our meeting.

To summarize our findings and conclusions very briefly:

- ICR is not doing what it was supposed to do. Right now, relatively few cities have implemented ICR; and most of those that have have suspended collections.

- Secondly, ICR to date has had no significant impact on employment, plant closings, industrial growth,

import/export balance, or local tax bases.

- Finally, ICR is not proving cost-effective in producing revenues for local or Federal governments, at least in most cities.

We must realize, however, that the Clean Water Act of 1972 had societal as well as purely economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that we discharging into the grant-funded POTW's.

While our studies have shown that most of the economic objectives have not been met, the societal objectives of Congress can still be met. Accordingly, it is appropriate to consider the number of alternatives to ICR as it now exists.

At this time, I'll ask you to turn your attention to the "Preliminary Compilation of Possible Study Alternatives."

VOICE: Is there anyone who doesn't have a copy of this?

(Documents distributed)

MR. OLSTEIN: That document presents 16 alternatives, ranging from leaving ICR as it is now to the outright elimination of ICR.

I might add that these alternatives are not mutually exclusive. Some of them could be combined.

I think -- would this be an appropriate time to adjourn the meeting and reconvene to discuss these; or do you want to take a small break and go into the prepared statements? Why don't we just take a five-minute break and give everyone a chance to stretch their legs, and then we'll get back and resume the meeting after five minutes?

Is that alright, Ted?

MR. HORN: What I was thinking of, Myron, is that in Chicago at 12:00 o'clock getting lunch is bad news in terms of time and wait.

Maybe it would be better to adjourn for lunch now and reconvene the meeting at, shall we say, 1:15, or something of that nature.

MR. OLSTEIN: Is that acceptable to everyone?

This will give you a chance to read through that, and then the first thing we'll get to at 1:15, I guess, will be the prepared statements, and then the questions and answers. Okay. So we'll meet back here at 1:15.

By the way, if you have any questions you want to ask either Mike or myself, we'll be happy to answer those.

(Recess)

STATEMENT OF

JOHN GALL

MR. GALL: My name is John Gall, and I'm Ted's counterpart in Region I in the Boston Office. Both Ted and I have been intermittently involved with the technical advisory group at the Headquarters level.

My purpose today here is to represent EPA Washington, not EPA Region I.

There's three points, three quick points, that I'd like to make before Myron goes back into the discussion of the alternatives presented to you:

First, Washington conveys its apologies for the short notice time on all of these public hearings. It's a problem in all of the 10 Regions. But we ask you to bear with us.

As you can understand, we had approximately -- we had 12 months in which to conduct this study, and from the time it took us to initiate our initial contacts with Coopers & Lybrand and then to get rolling, it was not until June that we were in the field. And so, again, I'd like to convey our apologies for any short notice that you may have had relative to this meeting.

As a follow-up to that, the press releases which have been put out have indicated that both written and oral statements would be taken today for the record. I'd like to expand that a bit to indicate that written statements will be taken up until November 6th. That is on the general scope of the study and the presentation that was made today, as Myron will discuss.

Specific written statements on the alternatives will also be taken until that date.

We would ask you to send your written statements both to Ted Horn, with a copy to Coopers & Lybrand. Their address is 1800 M Street, N.W., Washington, D.C., and the zip is --

MR. OLSTEIN: 20036.

MR. GALL: -- 20036.

Lastly, as has been mentioned, there are over the next two weeks 10 similar meetings going on in each Region, and it's our intent -- that is the Agency's intent -- to try to solicit as much public input as possible into the decision-making process. It is necessary I think for us to emphasize, however, that the final recommendation which is made to Congress -- and there's going to be a decision made at the Washington level -- certainly will consider

everything that's told to us.

We do not intend to run this particular study on a consensual forum of government. We feel that the meetings we're having will give a great opportunity for public input; yet, the final decision as I must reiterate will be EPA's.

With that, I'll turn it back to Myron.

MR. OLSTEIN: After EPA, the final decision will be Congress'.

All right. Do you all have this handout? I'll just go through this quickly. I'm sure you can read the thing as well as I can, so I'll just highlight each option.

Alternative 1 is, you know, basically just abolish ICR. Obviously, that would eliminate the thing that caused the study in the first place, which was just a lot of complaints from the grantees, who said they had a lot of difficulty administering it, a lot of complaints from industry who said they were subject to double taxation; and it would eliminate the inconsistency that is claimed to be in the ICR charges.

However, the potential disadvantage is that, you know, ICR was supposed to try to do some things or give

certain appearances, and now we will be taking away all of those.

The second approach is designed primarily to get at the capacity problem. What it would do is base grant funding for eligible project costs based on current usage levels. This would also include industrial capacity, so that to build capacity equal to current capacities would be at the 75 percent level; then the Federal share would drop for each increment in capacity above that.

Under this option, ICR would continue to stay as it is in the current regulations, but hopefully with a sliding scale like that it would encourage -- it would act as a way of encouraging planning, and thus minimize excess capacity.

The third alternative, we would continue to use the sliding scale approach and act as a cap on excess capacity, but it would be based solely on existing domestic usage levels; and thus, you could basically eliminate ICR, because there would be no Federal grant portion allocable to industrial use.

The fourth alternative is really a minor variant over the existing approach, which would charge ICR strictly on treatment works and not on interceptors.

This would simplify the administration of ICR and assume more complicated situations, multiple grant situations.

The fifth alternative would be to base the industrial share of the Federal grant on the incremental cost basis, as opposed to a purely proportional basis. The difficulties in doing that I think are probably obvious to all of us, but if there were some way to -- if that could be done, that the incremental costs could be easily determined, it would be a way of apportioning the economies of scale among everyone.

The sixth alternative would be to make the cost of constructing the industrial portion of the treatment works to be at the grantee's option, and in this way there would be a choice as to whether or not it would be an ICR situation.

The seventh approach would establish a uniform ICR rate, which could be on a number of bases, and could also be established for user groups -- you know, SMSA codes, at the either three- or four-digit level -- and this would certainly greatly simplify the administration of ICR at the local level.

The eighth approach is basically an alternative method to establishing floors for entry into ICR. Any

This would be a way of trying to achieve some equity in the recovery of capital cost, but it would greatly reduce any flexibility in rate design.

And, finally, would be a method where the interest component would be added to current ICR requirements. This might tend to increase industry participation in the facility plant.

I know that there are some other alternatives besides the ones we've identified, including the three on the last page.

The fourteenth is extend the ICR moratorium. Some people have said that it might be worthwhile to wait until all of the pretreatment regs were out to see how they affect industry before we take a really hard look and decide what to do with ICR.

Fifteenth is just to keep it in its current form.

Option 16, Alternative 16, is just another attempt to tie down the capacity issue.

There are, of course, others. Any that you would like to propose, you may send them in either in written form or verbally at this meeting, and they will go into this record and will, I assure you, be examined by the people involved in this study -- not only ourselves, but

EPA.

So at this point I'll turn the meeting back to Ted or John.

MR. HORN: I thought that we'd go --

MR. OLSTEIN: Next prepared statements, and then questions and answers.

MR. HORN: Right.

MR. OLSTEIN: Do you want me to ask for their statements? Okay.

Is there anyone who has a prepared statement at this time?

We'll start with the ladies. I'm sure it would make it easier on our stenographer if you have a written copy that you could leave with her. It would be very helpful.

STATEMENT OF

CAROL JOHNSON

SANITARY DISTRICT OF ROCKFORD

MS. JOHNSON: My name is Carol Johnson. I'm the Business Manager of the Rockford Sanitary District, and I will be presenting this statement in place of Mr. John Olson, who is our District Director, who's unable to attend because he was ill.

I also have attending with me Richard Eick, who's our Plant Operations Manager; and Terry Burgeson, our Accounting Supervisor.

The Sanitary District of Rockford's position regarding viable alternatives to the Industrial Cost Recovery system is that Industrial Cost Recovery should be charged on only those treatment processes designed solely for the purpose of treating industrial wastewater characteristics that are atypical of domestic wastes.

The District believes that ICR should be based on the additional incremental cost to construct an atypical process necessary for industrial discharges.

Using this criteria, the following are examples of Publicly Owned Treatment Works construction that could be subject to ICR:

- POTW prechlorination facilities due to industrial wastes high in sulfide.
- An alternate sludge disposal method other than normal domestic sludge because of industrial wastes discharged.
- A surge tank to be used by the POTW to equalize shock loads of toxic or non-toxic industrial wastes.
- Equipment to monitor and/or control industrial

wastewater chemicals in the interceptor sewer system or at the POTW.

The District also believes that interceptor sewer systems should be eliminated from the Industrial Cost Recovery charge unless the interceptors are constructed solely to serve industry.

Thank you.

STATEMENT OF

LEONARD WEEG

ENVIRO-SERVICES, INC.

MR. WEEG: My name is Leonard Weeg, and I am President of Enviro-Services, located at Rockford, Illinois.

Our firm provides a comprehensive information service on legislative and regulatory activities of Federal, state and local agencies.

We submit the following statement on behalf of the following industries in Rockford: Alloy Plating Corporation, Amerock Corporation, Elco Industries, National Lock Fastener, National Lock Hardware, Rockford Products Company, Sundstrand Corporation, and Surface Improvement Corporation.

Six of these companies are major manufacturers of

hardware and fastener products. Each of the eight companies has extensive metal finishing operations. Six of the companies have been operating in their present location for 10 years or longer, and each has cooperated with the Sanitary District of Rockford, SDR, to achieve compliance with its Ordinance limiting the concentration of pollutants in discharges to the sewer system.

On May 1, 1975, the SDR initiated a User Fee system and an Industrial Cost Recovery system. This was in fulfillment of Section 204(b)(1)A and B of P.L. 92-500.

Experience during these past three years leads the above-mentioned industries to the following conclusions:

First, User Fee System:

- The User Fee System is a fair way of "assuring" -- and I'm quoting here from P.L. 92-500 -- "that each recipient of waste treatment services . . . will pay its proportionate share of the costs of operation and maintenance . . . of any waste treatment services provided by the applicant," Section 204(b)(1)A, P.L. 95-217

2. Calculation of the User Fee is based on flow, quality of effluent, and surcharge for any toxics.

These are all factors which can be accurately measured by POTW's and industry. Users, therefore, have confidence in the amount being charged.

3. The User Fee System provides an economic stimulus to all users of waste treatment services to reduce flow and improve the quality of effluent. At the wastewater treatment plant of the SDR, considerable progress has been shown in flow reduction since the User Fee system was initiated on May 1, 1975.

In the Calendar Year 1974, the average flow in millions of gallons per day was 52.81; 1975, reduced to 44.44; 1976, to 46.3; 1977, 39.4; and in 1978 through the month of September, 40.7.

Much improvement has also been noted in the quality of influent to the wastewater treatment plant of SDR. Violations of its NPDES Permit occurs only on rare occasions; this occurs when there is an accidental discharge of a slug amount by an industrial discharger; or when there is a malfunction of equipment at the treatment plant.

To eliminate the former, SDR is instructing industrial dischargers to install spill containment systems as Best Management Practice, and these systems have

been effective.

4. The User Fee System, when compared to funding for O&M from ad valorem taxes, has been costly. Administrative surveillance, and enforcement costs have risen dramatically since the enactment of P.L. 92-500. O&M costs have increased 104 percent from 1974 through 1977, while flow was decreasing 25 percent in the same period.

Implementation of pretreatment standards and pretreatment regulations will dramatically increase O&M costs to POTW's and, obviously, to the users.

Industrial Cost Recovery:

1. The ICR System is basically unfair in that industry is required to pay a double tax. The source of funds for grants to expand treatment works are individual and corporate income taxes, and local general obligation bonds. There is no logical reason to again tax industry through an ICR system.

2. The calculation of ICR fees on a fair and proportionate basis is extremely complicated, if not practically impossible.

The primary reason for the expansion of the treatment works system in Rockford was the heavy housing development around the circumference of the city, and by some

industrial and commercial development.

Upgrading of the waste treatment process was not a factor since SDR had previously installed secondary treatment, first by the trickling filter process, and then the activated sludge process.

To charge a company where ICR fees are calculated on a system-wide basis is grossly unfair, and legally indefensible. Why should a company located in a portion of the city not served by any of the expansion projects be charged for these projects?

To charge a company where ICR charges are calculated on the basis of only those projects serving a specific company presents a horrendous administrative burden to the POTW.

When compared to the simple, accurate calculation of the User Charge fee, the calculation of the ICR fee is complex and costly. It certainly would not be cost effective.

3. ICR fees add little to the economic stimulus already provided by the User Charge system to reduce flow and improve the quality of the effluent.

4. ICR fees, when coupled with User Charge fees, add a substantial burden to the operation of a business.

Coupled with these fees, the high cost to industry of complying with pre-treatment standards and pretreatment regulations, and you have an economic stimulus for industry to become a direct discharger. We know of several companies who are exploring this possibility.

It is our firm recommendation that Congress amend the Clean Water Act, P.L. 95-217, to delete Section 204(b)(1)B, which provides for an ICR system.

Thank you.

MR. OLSTEIN: Are there any more prepared statements?

(No response)

MR. OLSTEIN: Does anyone have a general statement to make before we get into questions and answers?

(No response)

MR. OLSTEIN: Okay. Are there any questions we can answer for you while we're here?

Yes, sir?

MR. JAESCHKE: I have a question. My name is Dave Jaeschke. I'm with Chicago Sanitary District.

We're doing final computer specifications for our Industrial Cost Recovery program, and we're wondering how many changes are going to perhaps be effected after the

September 27th regulations?

MR. OLSTEIN: I could not answer that question. I don't think anyone else could.

The schedule right now, exclusive of regulations -- right now the schedule is that this report goes to Congress by the last day of December, and Congress in turn has to act within six months of that date. When I say "act," they can always elect not to and merely, you know, strike out the moratorium and just revert back to things the way they were.

So, any one of a number of things can happen by next July 1st.

MR. JAESCHKE: My specific question is, while we understand they have the option of either keeping ICR or deleting it --

MR. OLSTEIN: Or changing it.

MR. JAESCHKE: That was going to be my question: would they possibly change it again?

MR. OLSTEIN: Well, at this point we're dealing in pure conjecture, and if you will accept that preface to my remarks.

There is, on the one hand, a lot of dissatisfaction with ICR in its present form. There's just a lot of

dissatisfaction, a lot of noise, a lot of concerns being raised, in a lot of different parts of the United States, which, you know, goes up through both sides.

But, by the same token, there's a concern for what I call the societal objectives that were behind ICR, you know, when it was initially put into the Clean Water Act, which I translate to mean that there's going to be something left after all this takes place.

It seems to me these two conflicting objectives would tend to lead towards something different.

I don't think it's going to be eliminated. I think there's a chance, a good chance, that ICR in its present form is going to be changed. But that's just my guess based on, you know, all the people I've spoken to.

MR. JAESCHKE: Let me go on there. A couple more specific questions, as long as I have the floor.

Since there is a 25,000-gallon exemption from ICR, might not there be a 25,000-gallon deduction for those who are involved?

MR. GALL: May I try to respond to that, or do you want to?

MR. HORN: No, go ahead.

MR. GALL: I think you've got to understand -- at

stations, garages, people with toxic metals, petroleum products, chemicals -- they do not share in that exemption, if you will, because they don't have a sanitary equivalent discharge.

So the whole classification of who is an industry, you see, gets to be very important. You can't just say "I've got less than 25,000 gallons;" you've got 25,000 gallons of what? That becomes very important.

You have whole classes or sub-classes of users who will not get that exclusion, if you will. So, the question remains: how do you classify and who is an industry? That's just for Industrial Cost Recovery.

Who is an industry for the User Charge system? They're different.

MR. JAESCHKE: Yes. We noticed that the regulations now make the two lists different. They have been defined in such phrases, but they were in effect the same.

MR. GALL: Previously.

MR. JAESCHKE: Yes.

MR. HORN: Previously it was my experience the definition of an industry via the 359058, "any non-governmental," so on and so forth, in the SIC Code. And yet you go to the Yellow Pages, you see, and we've got a whole bunch of industries or something that is

hardly a domestic discharge.

Well, the new regulations have to clarify who is an industry, and how you're going to administer that program. Anybody who in the User Charge system is something other than residential -- in other words, you can have five classes in the User Charge system. Not all of them would be an industry or not all of your commercial would be an industry, because you've got a little commercial and a big commercial.

You have the introduction in an ad valorem tax system now of another whole set of criteria, because you've got residential.

I think it's fairly clear you can identify your residential classes. And what is a small non-residential class? You know, that has to be looked at.

What was formerly tax-exempt? Hospitals. Here you now get into a matter of ownership, you see, rather than the nature of the discharge.

So there's a lot of things that in terms of guidelines have to be explored. But just as a definition of industry and the 25,000 gallons a day exemption must be discussed with a great degree of caution, because you can get some relatively small volumetric dischargers with

cyanide and any -- somebody else said, and it might be something that I just read, in limiting the concentrations of an industrial discharge.

Well, the pretreatment regulations provide for the establishment of a mass -- not just a concentration, but a mass -- limitation, and the whole matter of sludge and what it does to sludge, its useability -- if you can sell it for farm fertilizer, you can deduct the revenue from the sale of fertilizer and charge or develop your rates on the net cost of operation and maintenance, you see.

So, there's a lot of things that have to be explored I think in taking a look at this 25,000-gallon-a-day exemption, or sanitary equivalency.

If I might go on to elaborate, all the work that has to be done to make anything feasible to administer --

MR. JAESCHKE: Well, we have that pretty well licked. We're going to probably identify all possibles in the program, and let them tell us that they're not.

MR. HORN: The SIC Code, you see, is deficient because, first of all, they're classified by their primary field of endeavor; and, secondly, by ownership.

Take a sausage plant that's owned by a meat

packing plant. It's a Class D manufacturer. If it's owned by somebody else it's a wholesale trade. Same discharge, but in one case ownership says you're in it and in the other you're out.

The SIC Manual is full of things of that nature. So that's not really a good starting point.

MR. JAESCHKE: Well, we do have a better method of getting hold of this because we have a computerized system where we run down the names of companies now according to SIC Codes and we can visually see each one without having to just sort them --

MR. HORN: Another way, of course, is to go through the Yellow Pages -- let your fingers do the walking.

MR. JAESCHKE: These lists were originally compiled from the Yellow Pages, so it's basically the same thing.

MR. HORN: There's a lot of various Chambers of Commerce in various states who put out lists of industries, their product, their employment. There are numbers of sources that we, at least when we take a look at a community with a treatment plant designed at 100 gallons per capita, we know they're buying 50, and then we see these

huge plant designs and all of a sudden they say they've got no industry, what do they do? In that community you generate so much waste.

And I think you can start from that. As I say, in looking at a thousand -- well, we've improved roughly 200 Industrial Cost Recovery systems and 400 User Charge systems -- so roughly half of the grant revenue systems we've improved have involved no industries.

But in our society, and particularly in this Region where we have 43 percent of the nation's industrial complex and 44 percent of the population, some 25 percent of its agricultural enterprise -- so, in fact, Ohio in terms of discharges, 50 percent of the total discharging POTW's in Ohio is from the industrial sources; and something like 44 percent of the industrial discharge in the State of Illinois is from an industrial source.

So you could work from other statistics under other programs, and knowing what the usage is for the domestic waste, based on primarily the price of water and other things, you get to know an awful lot about a community and its industrial discharge long before you get to the development of a revenue system.

We generally see that in our design and in our

planning phase, somewhere along the line.

MR. JAESCHKE: Can I ask one final question?

It was mentioned earlier when will the final pretreatment regulations be completely out in all 21 industries?

MR. HORN: I couldn't even begin to speculate on that. I just don't know.

MR. JAESCHKE: There was a rumor going around that nothing is going to be done on some of the interim or final standards for quite a long while and everything will come out in one final copy December of next year.

MR. HORN: I'll turn that one over to our Washington -- there you go, John.

MR. GALL: Why don't we leave it as a rumor?

I certainly couldn't speak to that. I don't know what bearing the suit against EPA has on that as to, you know, whether NRDC will bring us back.

I really shouldn't be speaking to that, since I don't work in thatSection. Do you want to clarify that?

MR. ALEXANDER: Yes. My name is David Alexander. I'm now with General Motors, but I used to be with Effluent Guidelines Division which generates the regulations. And I'll make this not as a General Motors

- difference, I believe. So it's going to take -- if I remember correctly, I think the last date was some time in December of 1980.

MR. ALEXANDER: Actually, there are a couple of schedules that are not official yet, but that were extended to 1981. In fact, the pretreatment -- the NPDES regulations that were just proposed in August, I believe, would actually extend the date -- there's a gap in there between the time the regulations come on-stream and the time they must be implemented for secondary permits. That gap had been one year; it's now been extended to 18 months.

That is a partial recognition of the fact there's some delays.

Now, if I could ask a question as the representative of General Motors?

MR. OLSTEIN: Yes.

MR. ALEXANDER: If pretreatment regulations and the like are set up as the electroplating has been set up would there be any kind of provision for exemption based on flow, redefinition of certain priority pollutants -- and this ties in, I guess, with the definition of conventional pollutants -- how will ICR in its present form

-

respond to that? Will it automatically have to take into account the specific definition or exemption based on water flow or the like for specific pretreatment regulations? Do you follow the question?

MR. GALL: Well, I'm not familiar with the specific exemptions that have been developed on pretreatment regulations.

MR. ALEXANDER: Let me give you an example. One of the proposed exemptions now is for the electroplating industry, bracketing it into two different sub-categories based on greater than 10,000 gallons a day and less than 10,000 gallons a day.

Would that automatically redefine the definition of industry?

MR. GALL: No, not for the purposes of ICR. I think we're pretty much constrained as to the definition of ICR and what we'll go with as exclusions, as set forth in the 1977 amendments.

I would expect -- although, again, this is subject to change -- that the Administrator or the Agency is not going to change its mind on the 25,000 gallon per day exemption. And, clearly, we cannot exceed that without a change in the statute.

So that, at this point in time, without legislative changes, I can see no tie between ICR and pretreatment.

MR. EICK: Richard Eick from the Rockford Sanitary District.

How is the 25,000 gallon per day limit defined? Is that annual average, weekly average, or just for one given date, or what?

MR. HORN: To my knowledge it's not.

MR. EICK: It would be in the future?

MR. HORN: There'll be a guideline that will come out on the administration of Industrial Cost Recovery, should it survive, which will have to go through various ways of calculating the 25,000 gallons per day, defining its sanitary equivalent, getting into from what sources and what materials, you are categorically exempt from the exemption -- in other words, gallon 1 from certain sources would be subject to Industrial Cost Recovery, and probably those which are containing elements which are supposed to be pretreated and gotten out of the publicly-owned treatment works primarily because of the emphasis on the quality of the sludge; as is evident from all of the regulations, what they want to save is the sludge

As petrochemical fertilizers become more scarce and expensive, there is a move to recycle. They want to save the sludge and they want to get everything out of it that could be detrimental to its reutilization.

I think in the days of incineration, and so on and so forth, it was primarily because when you get into the incremental costs if we're going to go into the industry and cause the sludge to be incinerated, they're going to pay for the incineration totally and exclusively.

When you go into the pretreatment regulations, the cost of the pretreatment is put on industry. That will not affect the little old widow ladies and orphans one bit.

So there's a whole new matter of cost allocation that's going to have to be developed to handle the cost of handling of industrial extracts. So there's a lot of new avenues that have to be explored as to why couldn't somebody sell that sludge as fertilizer and why couldn't it benefit or be recycled or be reclaimed to be used for agricultural purposes. Who caused it, and how much they're going to have to pay for it?

MS. JOHNSON: Would the user of the system -- basically we discussed that when a system had been approved if the law changed basically it was still accepted as an

acceptable user system -- would that be true of the Industrial Cost Recovery System?

We have an approved system. Will it remain approved if the law changes?

MR. HORN: I would say, off-hand, yes, subject to modification, almost all systems that have been approved have been approved and they have a clause that they will be flexible and adapt to any future changes in Federal regulations.

Who can anticipate? I mean there's no possible fixed document or anything that could anticipate what the law's going to do in the future.

I think that -- okay, when you come into the User Charge System, industries -- to service industries it's going to require three things that are not prevalent or allocable to the domestic user. Now, you're going to have the cost of administering an Industrial Cost Recovery System, if it survives. You're going to have the cost of a monitoring program on certain industries, your major contributing industries and others inbred to other programs.

You're going to have a cost of administering and setting up a pretreatment program and a pretreatment

organization, the operating costs to a treatment authority, and you will then influence the operating of the cost rates to industry.

Heretofore, rates to industry have been developed on, not only the cost of treatment, but the cost of administering the service. And the cost of administering the service to industry is going to go up. That means the rates to industries are going to go up, and they may not necessarily go up to other user classes.

That's why it becomes very important to classify your users and put the class costs on the users in that class. You see, you might get a little bit in your commercial class in some revenue systems. You don't know whether they have toxics or what they have. You do know what the residential class has. The institutional class you don't know. Governmental class, again, you don't know. It depends upon how users are classified.

So, again, there's a lot of guideline work, a lot of explanatory work to be done under the influence primarily of what remains of the Industrial Cost Recovery System and what influence pretreatment will have.

MR. GALL: I'd like to make one further point. You brought up an issue, and I think one of the problems that

Congress is going to have to face is that when you have systems, say such as yours, where you may have an industry that had opted for self-treatment for whatever reason, or maybe specifically for Industrial Cost Recovery, they may think it equally as unfair to now abandon ICR completely, as some industry who is in a POTW thinks it's unfair to keep it.

Those are -- I think there are a lot of underlying issues that, you know, we really haven't touched upon today. That might be one of them.

MR. OLSTEIN: Yes, sir?

MR. WEEG: I have several questions. Leonard Weeg. I have several questions that really are not related to ICR, but if I could address them to Ted and possibly yourself, John, on the sludge situation?

Number 1: Assuming that a POTW had sludge quality so that it could be applied to the land, what would that POTW do with all the sludge it accumulates in the wintertime because the ground is frozen, and how would you handle that?

I'm really -- you know, I hear so many -- I read so much about using the sludge for land application. But there are a number of real problems involved in doing that.

I wonder whether anyone has addressed themselves to

- finding a solution to that problem?

MR. GALL: I think really that's kind of a case-by-case -- I hate to beg a question and go that way -- but that is in my feeling exactly what you hire an engineer for, to evaluate all of the potential problems and all the solutions and to come up with some sound technical recommendations.

I think there has to be a clear understanding at EPA's level that not everybody's going to be able to put sludge in a bag and sell it as fertilizer.

What you're saying is one of the technical constraints.

I do know, however, that there are some places -- Vermont. I think, if I'm correct -- where they apply it to the field in the wintertime.

MR. WEEG: But there's the problem -- the other question was related, really, to this, and that -- it's admitted that the sludge would be applied only where it was good land management practice, which meant that a farmer would not just automatically put it on his soil. He would analyze the soil, make up the composition, the pH and all the rest of it would have to be known.

- There aren't that many farmers who are in a position

to practice land management, such as indicated.

How are you going to handle that? If you put sludge on the land in the wintertime and pathogens are involved and present, and the runoff from the frozen soil goes into a stream? We could have a worse situation than what we have currently.

This is another practical concern that I have in the use of sludge.

MR. GALL: Well, the --

MR. JAESCHKE: I might point out here that in Chicago we have a large sludge pond down-state, and we have very enormous sludge-holding basins for that purpose, again an added advantage. You get a lot of separation over the winter, and you can send the supernate back to the treatment plant; it has very little fertilizer value other than the ammonia, and just keep the heavy solvent sludge at the bottom.

MR. WEEG: Or you get the POTW into the situation where it can adequately manage the addition of the sludge in the type of soil that you're working with.

MR. JAESCHKE: Whether you're in the business yourself or whether you're giving it away to farmers, the only way we know of would be to store it in large basins.

MR. HORN: I think, as far as that goes, that

is part of the treatment process -- well, that's another whole guidelines subject, if it's part of the treatment process, the sludge condition, or whatever, where you're going to store it until it is usable, and part of the treatment process.

Again, there have been some very recent changes as to what asset acquisitions are eligible for reimbursement under the grant program.

MR. JAESCHKE: Well, I might point out -- I'm sure this is true in our agency and probably in others -- that usually by the time you get this far you're so far up the crick that you build something like this whether it was grant-eligible or not, because usually there's no other place to go with the sludge.

Most governing boards do wait until the last moment.

MR. HORN: Of course, a lot of these questions will be answered through our 208 planning process now in area-wide waste treatment practices, in addition to the 201 facilities planning. I mean it is -- there's another whole avenue for these kinds of things to be decided.

MR. WEEG: Out in, say, the Rockford area, that 208 planning has been more narrowly practiced than it has in northeastern Illinois where you've got a very comprehensive program going in the Rockland area.

We looked at storm water run-off, you know, and that's about it. So we're a long way from including sludge treatment in a 208 planning program.

MR. HORN: But in terms of 208, the objective -- it might be just a deficiency in that particular group which is, of course, established by the Government -- but I'm sure if they're not now they will be included in the future, in terms of area-wide waste management practices.

MR. OLSTEIN: Are there any other questions?

(No response)

MR. OLSTEIN: If not, I'd like to:

Number 1, remind you that if you have anything more you want to add, get it in writing. By November 6th, send one copy to Ted and one to myself. It will be easier to send it directly to me. My name is Myron, M-y-r-o-n, Olstein, O-l-s-t-e-i-n, Coopers & Lybrand, 1800 M Street, N.W., Washington, D.C. 20036.

Anything we get will go into the record.

I thank you all for coming, and if you have any more questions we'll be here for another couple of minutes.

Yes?

MR. ALEXANDER: How can we get copies of your final report?

MR. OLSTEIN: It's I think --

MR. GALL: We ought to start a list.

MR. OLSTEIN: That's a good idea.

MR. GALL: I think --

MR. OLSTEIN: That type of thing is in the hands of EPA as far as report distribution.

MR. GALL: We would not be making full copies of Coopers & Lybrand's final report available for proliferation across the nation, basically because we expect it to be about this thick (indicating). We will include all the survey forms, data compilations, and whatever.

Our preliminary discussions were last week we would try to put together some type of executive summary. We did one indication of what the final data has shown us, and what the types of comments we received in the regional meetings were, and how EPA -- what the recommendations were of Coopers & Lybrand, and how EPA distilled that into a recommendation to Congress.

To that purpose if, as you go out, you utilize the yellow pad that you may have signed in on, put your name down again. We'll keep that for the record.

Also, it's most important, of course, to give us your address and zip code.

MR. WEEG: John, are you saying a copy of the draft

final report will not be available to the people here today?

MR. GALL: It had been our intention to make a copy of the summary -- copy of the final report available.

MR. WEEG: Well, I thought -- I made a note here that after the regional meetings, that a draft final report will be available in November. Mike, I think that was your statement.

MR. TOWNSLEY: Yes, that's true.

MR. WEEG: Will that be available to the people participating here?

MR. TOWNSLEY: It will be available to the advisory group in Washington, which is all the national groups. And I think the intent was for them to distribute it back down to their members, if necessary.

MR. GALL: But, obviously, there are a lot of people who are not members of the advisory group.

The best thing I could say is we can take that under advisement as a suggestion to what we may do in the draft report stage. And I clearly would not like to make a commitment.

One of the problems we will have will be timing. If C&L delivers to us a draft report in late November,

we will have less than four weeks to get it to Congress, as we are mandated in the legislation. So that making the draft report available to you may not be as beneficial as making the summary copy of the final report.

MR. WEEG: The final report is what you will be submitting to Congress?

MR. GALL: That's correct.

MR. WEEG: The timing on that concerns me, because whatever the findings are may determine some legislative involvement that certain people like ourselves may have with respect to input to Congress.

MR. GALL: Well, to the extent -- we will attempt to make available a copy of the final -- a summary of the final report to you, which will be concurrent with that delivery to Congress.

MR. WEEG: All right.

MR. GALL: I don't --

MR. OLSTEIN: Let me try to answer. I think our GTR on this project that John Pai has opened -- and if we say to him, you know, that there are so many people interested, say 30 or 40 throughout the United States, who would like a copy of the draft, I think he'd be more than happy to provide that.

What the concern would be is if we find ourselves with some kind of, you know, huge administrative problem on our hand, trying to put a lot of copies of something in the mail.

If you just indicate that on the yellow sheet, I think, you know, John would be happy to -- unless it becomes onerous. That would be the only case where he might not.

MR. BENIGNI: What use will be made of any comments that we might make on ICR? Are those going to be summarily answered by EPA before submission to Congress, or will they go with your draft, or what?

MR. OLSTEIN: Well, I think what we have here is a fairly typical Congressional mandate to study, and there are certain review cycles that these things go through.

One of the review cycles will be within EPA, where we will have to basically -- it'll be determined in the review whether we have adequately addressed, you know, issues that were raised in the public hearings.

I think you've seen the type of issues that were brought up here. Presumably, we'll be reviewing at the same level in the other nine regions at the EPA review state. You know, that question will be addressed, have we

- adequately dealt with all of the public input?

In addition to that, after it goes beyond the EPA review, that review will go through review by the appropriate committees on the Hill during the month of December before the final report goes in.

So, you've got not only our internal, you know, the review we're doing now; you've got the review through the advisory committees -- and I know you have at least one association, actually two that sit on the Advisory Committee that we have. Then you have EPA review, then you have, you know, review by the Hill committees.

So, actually, we've gone through four levels of review. And if we've left, you know, some comments unanswered, we'll have to go back and answer them.

Okay. I thank you again.

(Whereupon, at 1:05 p.m., the hearing in the above-entitled matter was adjourned, to reconvene at 10:00 a.m., Tuesday, October 17, 1978.)

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Sheraton Dallas Hotel
Dallas, Texas

Monday, October 16, 1978

The public meeting was convened at 10:05 a.m.,
Ned Burleson presiding.

- - -

STEPHEN B. MILLER & ASSOCIATES

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THOSE PRESENT:

James. H. Suchma, Consulting Engineer, Bovay
Engineers, 5009 Caroline St., Houston, Texas 77004,
various cities grantees

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Pollution Control

Alberto F. Gutierrez, P.E., President, Gutierrez,
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John P. Johnson, Accountant, 1500 Marilla, Dallas,
Texas 75201, City of Dallas Water Utilities

Duane C. Helmberger, Civil Engineer - Community
Planner, 1200 Main Tower Bldg., Dallas, Texas, Air Force
Regional Civil Engineer

Rick McCleery, Pollution Control Officer, 1901 Lakewood Drive, Arlington, Texas 76016, representing City of Arlington, Texas

Robert Dill, Industrial Waste Control Manager, Dallas Water Utilities, 3 AN City Hall, Dallas, Texas 75277, representing City of Dallas

I.M. Rice, Director, Dallas Water Utilities, Room 4 AN, City Hall, Dallas, Texas

Alice Grisham, Manager, Natural Resources, 1507 Pacific Avenue, Dallas, Texas 75201, representing Dallas Chamber of Commerce

James B. Miller, Assistant Director/Admin., Fort Worth Water Department, P.O. Box 870, Fort Worth, Texas 76101, representing Fort Worth Water Department

T.M. Anderson, Industrial Waste Supervisor, P.O. Box 870, Fort Worth, Texas 76101, representing Fort Worth Water Department.

Thomas Sanders, Engineer, 8700 Stemmons, Dallas, Texas 75247, representing URS/Forrest & Cotton, Inc.

Catherine Perrine, Water Director, League of Women Voters of Texas, 7616 Royal Place, Dallas, Texas 75230.

T.H. Gaertner, P.E., Engineer, 6220 Gaston, Suite 304, Dallas, Texas 75214, representing Boyle Engineering Corporation.

Joseph C. Smith, Industrial Waste Section, Dallas
City Hall, Dallas Water Utilities

Dev Gregg, 5806 Birch Brook, Apt 205, Dallas, Texas
75206, SMU student representing SMU.

Walter Huelsman, Coopers & Lybrand, Washington, D.C.

Alan Brown, Coopers & Lybrand, Washington, D.C.

Ed Donahue, Coopers & Lybrand, Washington, D.C.

John Pai, EPA

Arvel Wilson, EPA Region VI

- - -

MR. BURLESON: Good morning. My name is Ned Burleson,
I am Chief of the Municipalities Facilities Branch, Region IV
in Dallas, Environmental Protection Agency. As such I am
responsible for the construction grants program in a five-
state region overseen by Dallas. It is my pleasure to welcome
you today to participate in this meeting which is part of
EPA's study of the Industrial Cost Recovery. It is EPA's
sincere intention that the public be involved in the study
and that the public's statements and concerns be reflected in
the final report to Congress in December.

In order to make certain that everyone has the oppor-
tunity to be heard, we must have a simple, understandable and
orderly meeting.

With this small group, I don't think there is going

to be any problem anyway. The fact of the matter is, if everyone would like to, we can move down front and be a little bit more informal group. Since I don't see a stampede, we will go ahead.

You are welcome to come on down front.

First of all, John Pai, who is with our headquarters in Washington, is Project Officer on this particular study.

Mr. Alan Brown to my far left; Mr. Ed Donahue to my immediate left, with Coopers & Lybrand.

Mr. Pai will more or less give the purpose of the ICR study, and he is our specialist in the user charge and Industrial Cost Recovery area.

Representatives of Coopers & Lybrand will then give a project scope and methodology, and then present the findings and conclusions of the studies.

After these presentations, prepared statements will be accepted by individuals who have scheduled a statement in advance. At this time we only have one such statement that has been scheduled by Dr. Rice.

Following that, any other prepared statements. Anyone else who has a written statement, may then present their statements.

Following the prepared statements, questions and answers in an open but orderly discussion will be accepted.

We intend for everyone to be heard who wishes to assist. I must insist we follow the format I just outlined. The ICR is a topical issue and we want Congress to be aware of grass roots concern related to ICR. We will stay as long as necessary to conclude this discussion. We have a court reporter with us today and a transcript of the meeting will be appended to the final report which goes to Congress. For that reason I must ask you to speak clearly and slowly and one at a time.

Without further ado, I will turn the meeting over to Mr. John Pai, who will explain the purpose of the ICR study in the meeting.

MR. PAI: Thanks, Ned.

Good morning. Again thank you for coming. My name is John Pai. I am from EPA headquarters in Washington, D.C. As Ned pointed out, I am Project Officer for the ICR study.

This is one of the ten public meetings that we will hold around the country in the next coming two weeks. Concurrently with today's meeting here in Dallas, we have a similar meeting in Chicago.

The purpose of this meeting is twofold. Number one is we want to have sort of an experiment procedure, we want to get the public involved in the government decision-making

process. In a way this is a little different than any other public meeting in that we come to the meeting with a completely open mind, without any set recommendations as to what we feel the ICR future course may be.

In the handout you may see we have proposed about 16 alternatives to the future course of ICR. We are not endorsing any of them at this time.

One of the purposes of this public meeting is for you to be part of the decision-making process and tell us what you think about any of these alternatives and then summarize all the input from public meetings, then we will prepare our draft report, and again put this in comment before we submit the final report to the Congress.

Another purpose of the meeting is for an opportunity for everybody who is more or less interested in ICR or affected by Industrial Cost Recovery to have an opportunity to be here and to discuss what it really is. I understand ICR is really a new issue to many of you; and if you don't have any comment at this time, you can sit down and hear what other people think about it, and get some fundamental understanding of it, and if you choose to have, after the meeting, if you have any other comments, I think we would extend the written comment period to the close of the business day at the end of this

month, October 31. So if you have any additional thoughts about ICR or the total cost of Industrial Cost Recovery, user charge, generally relative to the construction grants program, under the cost as related to you, please send your written comment by October 31, either to the regional office, Mr. Arvel Wilson, or to me in Washington, D.C.

But for those who do not know my address, please stop by and I will give it to you.

Another thing I want to point out is, even though this public meeting is to gain inputs from you to make a final decision to the Congress, I want you to be aware that this is only one of the public meetings to be held around the country. Comments and suggestions will be received all over the country, and in addition to that it will be incorporated with the EPA program policies, and the intent of the Congress, so what I am trying to say is that the final decision as to what to recommend to Congress will be made by EPA. However, it will consider all the valid comments and suggestions provided us. The future course will eventually be determined by legislative action from the Congress and may be based on EPA's recommendations. So the point is the more that you input to the study, the better Congress would be able to respond to what you really feel about the future course of ICR.

Again I want to apologize for the short notice that we gave you for this public meeting. We are on a very tight schedule to get this submitted to Congress. I want to thank Ned here for his and his staff's assistance to get this meeting underway, and without further ado, I will turn it over to Coopers & Lybrand, and they will give you discussion of what we have done up to this point.

Mr. Alan Brown of Coopers & Lybrand.

MR. BROWN: Good morning. My name is Alan Brown with Coopers & Lybrand. I was responsible for the data collection effort in the western half of the country in the survey.

As you are all aware, the passage of the Federal Water Pollution Control Act amendments of 1972, Public Law 92-500, intended that a waste water treatment facility be operated as nonprofit public utilities. Section 204(b) of the Act required grantees to develop and maintain two kinds of rate systems.

The first was a user charge system, designed to recover the operating, maintenance and replacement cost of the treatment system. Costs were to be / ^{recovered} from all users of the system on a proportional basis related to useage. The other kind of charge was Industrial Cost Recovery charge, specifically

designed to recover from industrial users of the sewer systems portion of the EPA grant allocated to the construction of sewage treatment capacity for industrial use.

While some jurisdictions disagree with EPA's regulations and guidelines related to user charges, most grantees tend to agree in principle with the idea of an economic ally self-sufficient waste water treatment systems.

ICR, on the other hand, is a topic which has caused considerable debate over the last six years.

In response to many questions and much discussion, Congress in December of 1977 enacted the Clean Water Act of 1977, Public Law 95-217. This Act made several modifications to the 1972 Act, and one of the requirements of the 1977 Act was set forth in Section 75, which specified that EPA would study the "efficiency of, and need for, " ICR. The study was to include, but not be limited to, an analysis of the impact of ICR upon rural communities and on industries in economically distressed areas or areas of high unemployment. The report must be delivered to Congress by December 31, 1978.

In May of this year, EPA contracted with Coopers & Lybrand to conduct an ICR study.

The purpose of the ICR study was to carry out the instructions of Congress. The basis for our scope of work was

basically the questions inserted in the Congressional Record of December 15, 1977, by Congressman Roberts.

Just to be sure we are all familiar with the questions I am going to read them so you will know what they are.

Congressman Roberts said, "It has long been the intent of Congress to encourage participation in publicly owned treatment works by industry. The conferees are most concerned over the impact the Industrial Cost Recovery provision of existing law may have on industry participation on these public systems. Accordingly, the Industrial Cost Recovery study, Section 75, has been incorporated in the Conference Report, and EPA is encouraged to submit the results of the study as soon as possible, so that Congress can take action on any recommendations that are forthcoming.

"It is expected that the Administrator consult with all interested groups in conducting this study and that the study will address at least the following questions.

"First, whether the Industrial Cost Recovery discriminates against particular industries or industrial plants in different locations, and do small town businesses pay more than their urban counterparts? What is the combined impact on such industries of the user charge and ICR requirements?

"Second. Whether the ICR program and resultant user charges cause some communities to charge higher costs for waste water treatment than other communities in the same geographical area? (Some communities have indicated that disparities in ICR and user charges affect employment opportunities.) Whether a mechanism should be provided whereby a community may lower its user and ICR charges to a level that is competitive with other communities in order to restore parity?

"Third. Whether the ICR program drives industries out of municipal systems, the extent of community impact.

"Fourth. Whether industries tying into municipal systems pay more or less for pollution control than direct dischargers?

"Fifth. Whether the ICR program encourages conservation, the extent and the economic or environmental impact?

"Sixth. Whether the ICR program encourages cost effective solutions to water pollution problems?

"Seventh. How much revenue will this program produce for local, state and federal governments, and to what use will or should these revenues be put?

"Eighth. Determination of the administrative costs of this program, additional billing costs imposed, costs associated with the monitoring of industrial effluent for the

purpose of calculating ICR charges, ancillary benefits associated with the monitoring of industrial effluent, procedures necessary to take account of changes in the number of industries discharging into municipal plants, and those impacts of seasonal or other changes in characteristics and quantity of effluents discharged by individual industries?

"Ninth. Whether small industries should be exempted from ICR? How should "small" be defined? Is there a reasonable floor that can be established for ICR based upon percentage flow?"

Coopers & Lybrand has been busy for the past five months asking questions and gathering data from a cross-section of viewpoints. As a final action in the study, ten public meetings are being held in the ten EPA regional office cities, to present a summary of the data gathered to date as well as a preliminary set of conclusions.

As John told you earlier, we would like to gather data and statements from those interested parties with whom we have not had the opportunity to talk, and we would like to present a list of some of the alternatives to ICR which could be recommended.

Finally, at the end of the day we would like to answer as many of your questions as we can reasonably answer.

Our primary purpose though is to listen to your comments.

With that, I will go into very briefly the scope and methodology of the project and how we went about our data collection effort.

When EPA asked us to conduct the ICR study, the first thing we did was to go back and read the 1972 legislative history to the Act related to user charge and Industrial Cost Recovery to find out exactly what ICR was supposed to accomplish.

Stated briefly, we found two major ideas contained in the legislative history.

First, was the idea of equity, or an attempt to equalize the assumed economic advantage; namely, less expensive sewage cost, for those industries using public sewer systems, as opposed to those industries treating their own sewage.

And the second idea was that of capacity or the appropriate sizing of waste water treatment plants with adequate but not excessive future capacity.

A third idea, but not as central to ICR as the first two, was an attempt to encourage water conservation.

This background material with legislative history related to the 1977 Act and especially Congressman Roberts' questions and Congresswoman Heckler's emphatic statements

on ICR, served as the frame of reference for the plan of this study.

Now, the initial step in late May of this year was to sit down with EPA personnel, including John Pai, John Gall, and these are User Charge/Industrial Cost Recovery specialists from Region I, and Ted Horn from Region V, and put together what we call a "shopping list" of every piece of data that we could think of in answering the specific questions already asked about ICR, and some other questions related to User Charges.

Now, we took this list of data elements, and converted it into two draft survey questionnaires, one for industry and one for grantees that had received ⁹²⁻⁵⁰⁰ monies.

The draft industrial questionnaires were reviewed with the National Food Processors Association, and the National Association of Manufacturers, and other public and industrial associations and groups to get their input.

After refining the questionnaires, we developed a list of people to survey. We compiled with the EPA regional office assistance, a list of approximately 100 cities which we planned to visit in person.

These cities ranged in size from Ravenna, Nebraska, which has a population of about 560, to cities like New York and Chicago.

We eventually visited approximately 120 cities, some of them twice, if there was strong local interest in the study. Our standard procedure was to meet first with the local agency responsible for wastewater and then later in the afternoon, or later in the day, if there was interest with any local industry, civic associations or public groups.

We mailed survey questionnaires out ahead of time to people we were going to meet with, so that they knew the kinds of data we were looking for. We stressed that participation in the survey was voluntary.

In many cases, after we had mailed out the questionnaire mailed people / back completed questionnaires rather than meeting with us personally.

After our original list of 100 cities for personal visits, we also made an additional list of 200 cities for telephone surveys. We used the same questionnaires in the telephone survey that we used in our personal visits, and these were mailed in advance to the people who were to be surveyed.

We also compiled a group of five, which was later expanded to six, industry groups for detailed study.

Although we were interested in industry generally, and the impacts of ICR in industry in general, we were particularly interested in industries which met one or more of

the following criteria. We were looking for industries that were labor-intensive, had low operating margins, were high water users or were either large or very small size industries, industries that had seasonal flows, or industries that were particularly impacted by pretreatment requirements.

Based on these criteria, we looked at a large number of industry groups and the industries eventually selected for detailed study were the meat packing industry, dairy products industry, paper and allied products, secondary metal products, canned and frozen fruit and vegetables, and the textile industry. A list of selected establishments or plants in those industries located in cities we were going to visit or telephone interviews was prepared and survey forms mailed to those establishments. The entire data collection effort was accomplished in six weeks, using ten teams of C&L consultants.

The second step in the study, and just as important as the first step, was to develop mechanisms for public participation in the study.

This meeting today is another step in that direction.

What we wanted was grass roots involvement and we wanted an open study. We put together an ICR Advisory Group of approximately 40 individuals representing industry, environmental, civic, local government, and Congressional interest,

relied
and 7 on them to keep their local chapters involved in the study. Monthly meetings were held in Washington and transcripts of the meetings were mailed to anyone wanting them.

The third step in the project was to summarize and analyze the data collected in our personal interviews and telephone interviews. We are currently completing this task and have reached some preliminary conclusions as to what the data means.

Several computerized statistical analyses have been developed and are currently being refined in Washington.

We have looked at enough data we think to be able to formulate some possible alternatives to ICR as it is presently constituted.

The purpose of our meeting today is to relate to you what we found and to get your reaction to it.

After these regional meetings are held, we will put together a draft final report which will be widely circulated. The draft final report is scheduled to be written sometime in mid-November. After we have circulated the draft final report in December, we will begin to write our final report, which will be delivered to Congress in late December. The final report will contain recommendations to Congress.

We cannot of course guarantee that Congress will act on our recommendations.

Since you are all interested in our findings and conclusions, I will turn this meeting over to Ed Donahue, relating what we have found, what we think it means, and what possible alternatives could be suggested.

MR. DONAHUE: Good morning. Before I get started, we do have coffee outside if anybody wants coffee.

My name is Ed Donahue, and I am Project Manager for C&L on this study. I am here to tell you what we found during the course of the study, what we think it means, and then to present some possible alternatives. The data and statistics I will be using are based on our study, and are currently being studied, validated and refined in our Washington office.

Rather than hand out raw data or computer printouts that are understandable only to a few people, we have summarized our data into a handout entitled "ICR Study Data," dated October 10, 1978. You should have received copies of this handout earlier. The final version of the data analyses, including all computer printouts, will be appended to, and included in, our final report to EPA which EPA will then review and pass on to Congress.

Without further delay, let's take a look at the data. I want to point out, though, the data is averaged data and requires careful thought before using it.

Just on the statistical side, we eventually got data

from 241 grantees, 241 cities that took EPA money to build wastewater treatment facilities. The best data came from places where we actually visited. The data obtained through telephone surveys was not nearly as complete or precise, although a lot of it was useable.

We also obtained data from 397 industrial facilities, most of it through the effort of trade associations. The industrial data is at plant level, rather than company level.

Looking at the major issues before looking at specific data, the first thing we want to address is the issue of equity, or the assumed economic advantage; namely, less expensive sewage costs for industries using POTWs versus those--before I get any further, the term POTWs, Publicly Owned Treatment Works--if anybody here is not familiar with some of the terminology and jargon of wastewater treatment, we do have a glossary of terms available at the desk in the back of the room.

The first thing we wanted to look at was equity, or assumed economic advantage; namely, less expensive sewage costs for industries using POTWs, versus those treating and discharging their own wastes. We used a computerized model which we as auditors and tax people had developed for our industrial clients, and modified it to reflect User Charge

and ICR situations. Basically, the model incorporates a series of equations which reflects the costs of doing business, and enables a company to evaluate alternatives--in essence, a "make or buy" decision--should the company use a POTW or should it treat its own sewage? What we found was that for some medium or large industries having compatible wastes, it is cheaper in the long run to self-treat, even without including --just using ICR costs, User Charges. This is a very significant finding. What it means is that even without adding ICR or pretreatment costs, large industry should, from an economic viewpoint, treat their own sewage. This is based on several tax changes--this conclusion is based on several tax changes that were not really known to the Public Works Committee when it wrote User Charge and ICR provisions of 92-500, because these tax provisions were written by the Finance Committees, and enacted after the passage of Public Law 92-500.

Basically there are three things that affect the tax advantages of self-treatment.

The first one, accelerated depreciation over a five-year period for pollution control equipment.

The second one is investment tax credit for capital equipment.

The third one is use of tax-free IDBs or Industrial

Development Bonds to finance self-treatment facilities.

The proposed tax law changes now pending before Congress--some, I am not sure which ones were enacted yesterday, but a whole bunch of additional ones which the next Congress will take up--these proposed tax law changes, if enacted, will make it even more attractive to industries to self-treat because of the increased investment tax credits proposed.

What this finding says is that for many industries it is cheaper to self-treat than to use a POTW. If this is the case, why don't more industries self-treat?

There can be several reasons. First of all, they may not be geographically located on a river or stream or body of water where they can't discharge directly so they have to use a POTW. Or in many cases, the second situation, they just don't want the hassle of self-treatment. They don't want to have to get an NPDES permit, they don't want to have to have wastewater operators and all the things that go with it.

The third thing, probably just as important as the second, the UC/ICR systems have not been in effect long enough to show their eventual impact. The significant thing to bear in mind, though, is that if ICR and pretreatment costs are added on top of User Charge, they could be the final straw that drives industry out of POTWs, thus making it more expensive for remaining POTW customers to use POTW.

In particular, EPA's application of pretreatment standards is likely to make many industries consider self-treatment, depending upon how EPA applied its pretreatment standards.

The second major issue of the ones in legislative history is that of POTW capacity.

Based on the survey of 241 wastewater treatment facilities from which we obtained data, the average POTW uses only 68 percent of its designed capacity. The use ranges from a low of 4 percent to a high of 120 percent. It appears that ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity in POTWs.

The third issue, that of water conservation is not as clear. Based on the industries we surveyed, water consumption has dropped an average of 29 percent since User Charge/ICR systems have been implemented, but the industries with whom we talked attributed this water conservation to higher water rates and to User Charge, not to ICR, because ICR as a percentage of water bill and user charges, is not that significant at this time.

To get to some of the questions asked by Congressman Roberts, the economic impact of ICR to date is not significant in most locales, because: First, ICR has not been in effect

more than a year or two.

Secondly, most grantees have suspended ICR billings while the ICR moratorium is in effect.

The exception to the insignificance of ICR to date is in those cases where there are seasonal users and/or AWT, Advance Wastewater Treatment. In those cases, total sewage costs for industries have increased by several times.

The incremental impact of ICR above user charges is generally not great with the exception of the two cases just mentioned; the combined impact of User Charge and ICR can be very significant.

We can find only a few scattered instances of plant closings due to sewage costs, and none attributable solely to ICR.

The total jobs lost in the plants that did close because of increased wastewater costs was less than 1,000 jobs. In every case there were other factors such as plant age which affected the plant closing decision.

The impact of ICR appears to be greatest in older cities particularly in the Northeast, and particularly in small to medium sized cities and in agricultural communities. There does not appear to be any impact of ICR on the industrial growth patterns to date. We were not able to

differentiate the impact of ICR on small versus large businesses because very few industrial plants were willing to disclose production or sales data. We did tell everybody who responded to our survey that anything they submitted was open for public scrutiny. The cost to industry of sewage treatment is much greater by 50 percent per gallon, on an average basis, in AWT kind of situations as compared with secondary treatment.

The incremental cost to grantees to maintain and operate ICR systems; that is, the "eliminatable cost" above and beyond the cost of operating, maintaining User Charge systems is small when compared to total cost of sewage treatment averaging about between \$15,000 and \$20,000 per grantee per year. Average ICR revenues per grantee per year are approximately \$85,000 to \$90,000, of which \$8500 to \$9,000 is the amount retained for discretionary use by the grantee.

There is more data which might be of interest to you that is included in the handout, ICR/data. We would be pleased to discuss specific data during the question and answer period at the end of our meeting.

To summarize our findings and conclusions about Industrial Cost Recovery, very briefly, first, ICR is not doing what it was supposed to do. Relatively few cities have implemented ICR, and most of those that have implemented it hav

suspended it during the moratorium.

Secondly, ICR to date has had no significant impact on employment, plant closings, industrial growth, import/export balance, or local tax bases.

Third, ICR is not proving cost-effective in producing revenues for local or federal government at least in most cities.

We must realize, however, that the Clean Water Act had social as well as economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharged to grant funded POTWs. While our studies have shown that many of the economic objectives of ICR have not been met in the parity or equity issue, social objectives remain. Accordingly, it is appropriate to consider a series of alternatives to ICR as it now exists.

At this time I will ask everyone to turn their attention to a document entitled, "Preliminary Compilation of Possible Study Alternatives" dated October 10, 1978, which you should all have copies of by now.

The document presents 16 alternatives to ICR as it is presently formulated, ranging from leaving ICR as it now is to outright elimination of Industrial Cost Recovery. These alternatives are not mutually exclusive. Some of them could

combine several of them. I would like to adjourn the meeting for about 30 minutes, to allow everyone the opportunity to read this document, because I realize most of you have not seen it before, also everybody might want to get up and stretch ^{your} legs, and have some coffee, whatever. There are some rest rooms, whatever, if anybody wants to use them. If everyone would take 20 minutes or half an hour to go through these alternatives.

MR. BURLESON: Does anybody else have a prepared statement besides Dr. Rice?

Does anybody else have a prepared statement?

MR. DONAHUE: We would like to adjourn for a few minutes so people have time to look at those alternatives, and while we are adjourned we would be very glad to discuss informally any of them, and we will go through them one at a time after we come back in session. If we could come back like in 20 minutes to, say, a half an hour. Thank you.

(Brief recess)

MR. BURLESON: If we could get back to our seats, Mr. Donahue, do you want to continue?

MR. DONAHUE: I think we will depart from the agenda outline we had set up, because our one speaker, Dr. Rice, has a prepared statement, has some other engagements, so I think we

would like to give him the opportunity to make his statement to be included in the transcript of the meeting, and anybody else who wants to make statements. Then we will go back to discussing some alternatives and some of the pros and cons of each of them. If Dr. Rice would like to make a statement.

STATEMENT OF DR. I. M. RICE

DR. RICE: Thank you, Mr. Donahue and Mr. Burleson, and ladies and gentlemen, good morning.

I would like to take this opportunity to introduce my colleague from the Dallas Water Utilities, Mr. Bob Dill and Mr. John Johnson. If you wish to ask me some questions that I can't answer, I may refer them to these gentlemen.

In light of what Mr. Pai has said, we would like to exercise the right to amend the statement which we are giving you this morning in light of this handout that you have given us today, the 16 alternatives, and we would like to address that more thoroughly. We understand we have until October 31, is that correct, to submit an amended statement.

MR. DONAHUE: Yes, sir. Also, Dr. Rice, if you have alternatives other than the 16, we would be very pleased to hear them.

DR. RICE: I think you have done a good job on 16. We don't really go past number one on your list.

Anyhow, we do appreciate this opportunity to express

the views of the Dallas Water Utilities on Industrial Cost Recovery.

As you may know, the City of Dallas enacted back in November 1977 an ordinance establishing a procedure for Industrial Cost Recovery under the law, regulations and guidelines then effective. The appropriate state agency and the Regional Administrator for the EPA approved this ordinance and supporting documentation. More recently we have amended our ICR ordinance to give effect to the moratorium on ICR enforcement contained in P.L. 95-217. That is effective until next July. We are greatly interested in the progress and outcome of the present study of ICR effectiveness, and wish to provide our views for your consideration.

The Federal Guideline entitled "Industrial Cost Recovery Systems, " which is EPA 430/9-76-016 published by the EPA in February 1976 summarizes Congressional intent by quoting legislative history stating "it is inappropriate. . . To subsidize industrial users from funds provided by taxpayers at large." To prevent such an inequity, the requirements developed in the cited guideline for ICR systems are exceedingly complicated and very difficult to interpret and administer. It is our view that the stated purpose for not subsidizing industrial users may be much more simply and much less

expensively achieved by a user charge system which distributes all costs of service, including the cost of grant facilities, to all users of the wastewater system in a manner proportional to the costs of serving each class of users, including industry as a separate class. An excess strength surcharge based on waste characteristics (BOD and TSS) could be assessed as a part of the user charge system. This type of user charge system is now in effect in Dallas.

To add an ICR charge to the Dallas wastewater rates would not only be superfluous, it would be inequitable to industrial users. Here I appreciate I am sort of going against the intent of Congress, but I am going to say this anyhow. Using the "utility method: of rate determination, as Dallas does, capital cost recovery is achieved through inclusion of depreciation in the costs of service to be recovered, based on the useful lives of all wastewater facilities. However, under ICR, capital charges to industry must be recovered over a 30-year period, whereas the depreciable life of sewerage facilities may be 50 years or more. Therefore, the Dallas system of setting an ICR charge may be viewed as a supplement to its user charge system. Since industry taxes contributed to the source of revenue for grant funds, we believe it is inequitable to place a sole requirement for capital cost

recovery on a particular class of customers.

Any Industrial Cost Recovery provisions should allow for the consideration of adequacy for ICR purposes of a user charge system. Without limitation of the recovery period to 30 years, The 30-year period frequently does not correspond to the useful lives of grant facilities. In compliance with the regulation, the Dallas ICR system provides for a small supplemental ICR charge in addition to presently collected rates, due to more rapid recovery of capital costs required for ICR than is achieved through present rates, which are based on useful lives which average longer than 30 years. The costs of collecting this supplemental ICR charge greatly exceeds the revenues, as I will explain later.

The following recommendations give our solutions to this dilemma, in order of preference:

1. Eliminate the special ICR charge, requiring instead a user charge system which equitably distributes the costs of all facilities (and their operation) among all the customers of a wastewater treatment organization, based on the costs (including unrecovered capital costs) of serving each class of customers. Within the user charge system, special charges should be assessed particular users and classes of users which discharge wastewater of higher than

normal strength, determined by periodic and systematic sampling.

2. Substitute for the present financial provisions relating to ICR collections a straightforward method of repayment of a portion of P.L. 92-500 grant amounts. As Congress desires, this could be a fixed percentage of P.L. 92-500 grants (the same for all cities), repaid over a fixed number of years, predictable in total and by year once the grant amounts are finalized. Under present conditions, neither the cities nor the federal government can know what repayments will be made, either as to timing or amount.

As a part of the second choice or as a separate provision should ICR continue for 75 percent grants, I would suggest the option of a lesser grant without ICR requirement. This option would give hard-pressed cities the benefit of the grant without long years of ICR calculation, collection accounting and indeterminate repayment. A provision that user charges must be assessed industrial (and other) customers based on the costs (including cost of existing facilities) of serving them could still be included.

Among the ICR questions raised by Congressman Roberts and listed in a handout available from EPA just before this meeting, I would like to address the eighth question.

The eighth question was already read this morning,

so I won't read it again.

The "observation" which is on your handout just below the question--I would like to read that one. I am quoting now:

The incremental costs of administering ICR (assuming that a User Charge system will be maintained) is relatively small, amounting to less than \$20,000 per grantee per year, based on the data available to us."

Mr. Donahue referred to this in his explanation here. Of course the operating word is the word incremental, the incremental costs. That is like looking at an airplane, and there are a couple vacant seats in it, so you allow one or two more passengers to come aboard the plane; the plane is already going anyhow, and the crew's salary has been paid and the only additional out-of-pocket expenses would be if there was a meal served on the flight, and possibly a little bit of additional fuel.

When a city does as we do, and uses the utility method of determining its rates, this causes us a problem. So we believe that fully allocated costs are relevant to the ICR question, rather than incremental costs. The Dallas rate structure is based on assignment of full costs to each service function. For our fiscal year 1978, full costs or ICR would have been approximately \$159,000 as shown on the attached cost schedule. This is a great contrast to the approximately \$2,000 we would have collected from industrial users in a supplemental charge for ICR in 1978 as more grants are completed, it probably would never approach the full costs of Industrial Cost Recovery in Dallas.

This completes my testimony. I would be happy to answer any questions you have.

MR. DONAHUE: Not really a ^{question, a comment} ~~cost~~, on incremental cost versus full cost approach to administrative and operating cost of ICR. In our scope of work on the project, we made the assumption that the User Charge system would have to be maintained. What we were looking for was how much cost of your Industrial Waste Section, how much of those costs could you eliminate if you didn't have the ICR system.

I appreciate the approach you are taking is ^avery valid accounting technique. I am not arguing with it. I am saying we took a different approach.

DR. RICE: I understand that. We know from experience that we must be on sound ground on our rate structure.

We had a few cases down at the state capital on that subject. You just can't do business that way.

MR. DONAHUE: We understand that and appreciate it.

MR. PAI: Do you have POTW?

DR. RICE: Yes.

MR. PAI: Do you have an ICR system in place now?

DR. RICE: We had an ordinance which we have enacted in 1977 but then three weeks ago we suspended the repayment provisions until July of 1979,

MR. PAI: Can I ask you how much it takes you to develop the ICR system and to prepare the system to the point to be implemented?

DR. RICE: Repeat the question.

MR. PAI: Can I ask you how much it took to develop the ICR system and to get the system to the point of being able to be implemented?

DR. RICE: Twenty or thirty thousand dollars.

MR. PAI: To develop the system. How much just raw figure--how much does it take you to get a system prepared to the point to be implemented? What is the administrative cost for the ICR system?

DR. RICE: Well, I will refer to our breakdown here on the back of the statement, I think would be the best answer. Mr. Dill is our Manager of Industrial Waste Operations. Primarily the expenses have to do with his organization, but he has other functions.

What we have done here is listed all of the expenses that Mr. Dill's organization incurs, and of course the laboratory expenses, that is not part of his organization, but is in addition to that. Now we split that cost \$473,000 three ways, because we have three different functions, one of which is industrial waste.

In the third line from the bottom, "data processing allocation," that would just be the annual cost of making the billings to our industrial customers, \$2,640.

MR. DONAHUE: Could I ask you, the 2200 customers, that is the number of customers that you are saying have to pay ICR now or would have to pay ICR now. Is that before or after you use the 25,000 gallon exclusion?

DR. RICE: That target is moving around so fast. I will have to refer to Mr. Dill. We were using the number 4400. Would you answer that question?

MR. DILL: This was the one before the floor was established, and also we haven't concluded our preliminary cost yet, because of changing guidelines. We have still got a lot more work and expense and work to go through before we can implement the program. That \$20,000 or \$30,000 could be changed to \$50,000 or ever how many times you change the guidelines.

MR. DONAHUE: The new regulations that EPA published September 27, said a 25,000 gallon floor, and went back to the previous definition of industry, six classifications, A, B, D, E, and I. That should eliminate some customers who have had to pay ICR before.

MR. DILL: This will probably reduce it in our case to 200 or 300 people. There are some other things about the

guideline we don't understand. Like you say equivalent to 25,000 gallons a day without an explanation, and also toxic waste and we don't have the regulations on toxic wastes.

MR. DONAHUE: John, I will have to defer to you.

MR. PAI: I would rather just ask a question. Do you like a 25,000 general exemption? Is that too high or too low? That is one of the things that Congress is very interested in. That 25,000 gallons per day exemption, is that too high or too low? Would that be a very effective number for you?

MR. DILL: It is not too high. It could be a little bit too low. But the main thing is the UCR equivalent. We are talking about pounds of BOD, and the TSS, I suppose. We don't know what your equivalency--

MR. PAI: In the regulation explaining what equivalence means, it means total funded poundage of BOD contained in waste compared to total pounds of BOD, or total pounds of suspended solid contained in waste compared to total pounds of suspended contained in 25,000 gallons of sanitary wastes.

MR. DILL: We figured that. There wasn't anything to tell us that was right. We don't know whether to use 250 milligrams, as criteria for domestic waste or not.

MR. PAI: We eventually will put out further detailed guidelines on Industrial Cost Recovery, if that is the way,

depending on how ICR shapes up in the Congress.

MR, DILL: We have a lot more expense to go through before we can get ready for implementation.

MR, DONAHUE: One of the questions we asked in our survey of grantees, and I believe Dallas was one of them, we asked people to rank their large water users, and what we wanted to do was get a list of large water users and make some assumptions, an average of 80, 85 percent return, maybe more, maybe less, but find out how many people would be eliminated from ICR, if you change that 25,000 gallons, and we were not particularly successful in doing that, because very few cities could furnish us a list, a rank list of their large water users. We really weren't able to determine very precisely what would happen if you raised or lowered that 25,000 gallon exclusion.

DR. RICE: The easy way out of it is just to eliminate the whole thing. A problem has been referred to before is the changing of these regulations. We get all set to do something, and then there comes a change. You cannot fix on a target. You think you are all set, and we have got a new regulation and it is hard to comment on something, when it keeps changing from time to time.

Now, I am not being critical of EPA. What we have got to do here is to treat with the law. I object to the law, is

my main problem. I don't think the concept was right in the first place.

MR. DONAHUE: That's one of the reasons why we are having this meeting, to get that kind of reaction to include with our report to Congress.

DR. RICE: I might say I am a whole lot milder than our City Council.

MR. PAI: I would have to say Congress realized there is a lot of controversy concerning ICR, so the ICR study is not initiated by EPA. You may want to give Congress the credit for realizing the problem they have on hand and give us the opportunity to go out and talk to you about what we should do.

DR. RICE: Another problem is these universal sweeping nationwide, everybody treated the same. Dallas is a city with not much industry. Let's face it. We have lighted industry. During the break we were talking with Mr. Burleson about another situation, a smaller community which has one big industry, which is one-half of the load or even more. It is a different proposition. Very hard to enact a single set of rules that will cover both these situations.

So I am always against universal solutions to very complicated problems.

MR. PAI: May I ask one other question. How do you view the User Charge requirement? Do you think that is a good requirement?

DR. RICE: Yes, as a matter of fact, Dallas has been collecting User Charge since before 92-500 was passed. That is old hat with us. What we object to is what we call a supplemental ICR charge. We would like to handle the problem within the structure of our User Charge ordinance. We have been doing it for years.

Another point I would like to make, the cost of this ICR charge to us in relation to benefits, we are talking roughly in terms of charging a dollar and a half to collect a dollar which we can then split half-way with the federal government, so we are out 50 cents, no matter which way you look at it. It would be better from our standpoint to pay the government 50 cents and scuttle the whole operation.

MR. PAI: Would this ICR give you a better opportunity to monitor your industrial waste, to know better about where industrial waste comes from?

DR. RICE: We have no problem whatsoever now. Our industrial waste ordinance, which includes our User Charges, gives us all the authority we need,

MR. PAI: Thank you,

MR. DONAHUE: Thank you, Dr. Rice,

If anyone else has a statement they would like to make for the record, we would be glad to have it at this time.

If no one has statements they would like to make for the record, I think what I will do is take this list of possible alternatives, and even though it is quite lengthy, it is a subject that merits a lot of attention, I think we would like to go through them one at a time and discuss them.

Yes, Ma'am.

MS. PERRINE: Are you open to questions?

MR. DONAHUE: We can take questions now, sure. Identify yourself for the reporter.

MS. PERRINE: My name is Catherine Perrine, I am from the League of Women Voters, Water Chairman, State of Texas.

You state that very few communities ever implemented Industrial Cost Recovery charges at this time?

MR. DONAHUE: Yes, Ma'am.

MS. PERRINE: Have the other communities, as the City of Dallas has, implemented User Charges based on BOD and total suspended solid strength?

MR. DONAHUE: I believe there are 400 to 500 cities across the country that have actually implemented User Charge systems that are approvable to EPA. Many other cities already had some kind of User Charge system before EPA imposed that

requirement on them. Four to five hundred cities have implemented User Charge systems that meet EPA standards. There are other cities that already charge so much per gallon and they have a surcharge/ ^{for strength.} It is a fairly common kind of thing.

MS. PERRINE: That is required by law?

MR. DONAHUE: If you take a grant ^{from} federal government to build a wastewater treatment facility, you have to have a User Charge system to recover the operating and maintenance cost of that system from its users.

MR. PAI: Required in Section 204(b)(1) of the 92-500, P.L. 95-217 also contains it.

The new law did not change User Charge requirement.

MS. PERRINE: As I understand it, some cities can base their charges on ad valorem taxation, rather than on assessment users BOD and total suspended solids,

MR. DONAHUE: Congress did allow, in some cases, John could probably discuss better than I could, what conditions are in which you can use property taxes rather than User Charges

MR. PAI: In the new law they are allowed that residential user, as a class of user that be allowed to assess their User Charge based on ad valorem tax system. However, industrial user--he still has to pay based on what he actually uses.

MR. BURLESON: I think maybe one thing about ICR and

User Charges, User Charges are based upon the operating cost. They are delineated and set aside to defray the operation and maintenance cost after the plant is built.

MS. PERRINE: They don't have anything to do with capital cost.

MR. BURLESON: The Industrial Cost Recovery system-- and this is 92-500, the Industrial Cost Recovery system, is again to defray capital cost required to build that portion of the plant that is commensurate with the waste that is going in from the industry. One is capital cost and one is operating and maintenance cost.

MR. DONAHUE: Some cities do recover in addition to their operation and maintenance cost their capital costs through a User Charge kind of vehicle. Other cities use a User Charge-- recover operating cost and use property taxes or some other source of revenue to pay local capital cost.

What the amendment to ad valorem taxes said was that if you can show the amount of property taxes you collect from residential people, residential customers, that is dedicated to wastewater treatment, it is equal to the cost providing wastewater treatment to residential customers. And under some cases you could substitute property taxes for straight User Charge. There are very few cities that would qualify under the conditions

that Congress set down.

MR. BROWN: The City of Dallas would not because it has had a User Charge system in effect for quite a while, and it had to have a dedicated ad valorem tax system, prior to 92-500 coming into being. Dallas wouldn't have the option if they wanted to switch to something else.

MS. PERRINE: As I understand it, Dallas uses their User Charge to recover both capital costs and operating cost, isn't that correct?

MR. DONAHUE: Yes.

MS. PERRINE: What would be the problem having other cities do that instead of having two systems?

MR. PAI: The law ^{authorizes} us to impose the User Charge, and the capital portion recovery, if it is concerning federal grants, it has to be subject to ICR Industrial Cost Recovery, which is a separate section of the law. And as far as local capital is concerned, the Congress did not authorize EPA to have any regulation written governing how local capital costs can be recovered. It is completely at the grantee's discretion to find the best way for him to recover that local share of the capital cost.

MR. DONAHUE: What ICR is talking about, you talk about capital cost. there are really two things to consider. There

are capital costs that were contributed by the federal government, and capital costs that are being paid by local communities, the approximate 25 percent of cost paid by local communities. There is no federal legislation, there is no authority, there is no interest on the part of EPA regulating how that 25 percent local capital cost is raised. I mean if a community wants to use property taxes, wants to use a User Charge, with a surcharge to pay for local capital cost, EPA has no particular interest one way or the other. What ICR is talking about, is getting back part of the 75 percent that the federal government put out from industry, so that is in addition to any kind of local cost recovery, local capital cost recovery.

MS. PERRINE: Thank you.

MR. DONAHUE: Thank you. We have had Joan Burn from the League of Women Voters National Office involved early on in the study. Somebody else has replaced her on our Advisory Group. Right now I can't remember her name. The League of Women Voters has been involved nationally on our Advisory Group. I would like to thank you for coming to the meeting today. They have done a good job of participating.

MS. PERRINE: I need to learn a little more to participate.

MR. DONAHUE: Thank you very much. If no one else has

any questions or statements they would like to raise right now, we would like to go through these alternatives. As I pointed out before, these are 16 alternatives that we formulated talking among ourselves, talking to people in EPA, talking to industrial people, talking to environmental and civic groups. If somebody can come up with other alternatives, we would be pleased to hear them. The more alternatives we get, the better the probable recommendations will be, we hope.

If you take the list of alternatives, which everybody should have and go through them.

I would like to take a rest and turn this over to Alan Brown, and let him go through the alternatives.

If anybody has any questions as we go along, since it is such a small group, if somebody doesn't understand something, or objects to something, or has an objection to make, please feel free to let us know about them.

Alan.

MR. BROWN: These alternatives were not--Ed stressed this before, and I will say it again--they are not designed to be mutually exclusive. You can combine any number of them to come up with anything that sounds reasonable. What we have done is an attempt to come up with a laundry list of everything that everyone has told us, so we can be certain that we are

considering all reasonable alternatives to ICR before we make our draft recommendations.

In our draft final report that will be written in November, we are going to use some combination or one or two or something of this list to make our recommendations to Congress so if we have left something off that you feel is important, please let us know.

The advantages and disadvantages are by no means comprehensive. We just attempted to put down one or two advantages and disadvantages to facilitate discussion, to make people think a little bit about it. We realize there might be four or five different things that you could say about different alternatives that are not included here.

Starting at the top with No. 1, and once again these things aren't numbered in order of preference or anything. But the first one that immediately comes to mind is to abolish ICR. That means get rid of ICR totally and not come up with any kind of alternative recommendation to replace it.

Some of the advantages concerned here would be to eliminate complaints from grantees, like the one Dr. Rice just made, that it is not cost effective and that it is very difficult to administer.

It would eliminate complaints that we hear from industry

saying that it is actually double taxation, and that it also adds an unfair economic burden.

And it would also eliminate inconsistency from community to community in ICR charges.

Now some of the disadvantages we foresee with this would be that without some sort of control over the design parameters allocated to industry, abolishing ICR may encourage grantees to plan and construct treatment works that are larger than necessary.

Remember, one of the prime motivators behind ICR was the fact that it would help to put a cap on excess capacity. Another disadvantage is that it is going to eliminate revenues returned to the federal government.

If anybody has any comments while we are going on, please jump right in. I don't want to sit here and talk by myself.

No. 2 is an alternative that would base grant funding for eligible project costs of a treatment works, including the industrial capacity, on a sliding scale. What this recommendation proposes is to fund current needs at 75 percent and to reduce the federal share of total project costs as grantees plan treatment works larger than current needs indicate. ICR would be based on the current regulations, as they are today. What this is saying is that if you do a needs survey and you need

to build a plant that is 10 MGD today, and you propose to build a 20 MGD plant to handle future capacity, then the funding for that plant would be reduced proportionately to the amount that you fund over and above what you need right today.

The advantages here would be to encourage more front end planning and reduce the amount of excess capacity designed and constructed, and it would also encourage industry to participate in the planning and identifying treatment works needs.

Some of the disadvantages. It may not be cost effective when you are designing treatment works for a large or rapidly growing area. In some cases it is going to increase total local share of cost for grantees, building treatment works larger than currently required.

Alternative 3, is a lot like Alternative 2. The idea here is to base grant funding for eligible/^{project} costs on a sliding scale, and funding current domestic needs at 75 percent, and reducing the total share of project costs as grantees plan larger treatment works than are currently indicated. This alternative is very different than Alternative 2 in that it funds only current needs for domestic and commercial wastewater. There would be no funding for industrial capacity, and there would be therefore no ICR, because there would be no grant to recover.

This has the advantage of eliminating grantee complaints that ICR is not cost effective because there would be no ICR.

It would eliminate complaints from industry that there is double taxation because once again there is no ICR.

It would eliminate costs associated with implementing it, and monitoring ICR systems for both EPA and grantees.

And it would tend to encourage better facility planning, because if industry is to be included in treatment works, then they are going to have to participate and their needs be identified early on.

Now, the disadvantage is that it is going to increase the local share of project costs. These added costs may be passed through to industrial users and could possibly exceed ICR costs because there is going to be no federal funding of local share for industry.

No. 4 would be to charge ICR on treatment works only, eliminating ICR charges for interceptor sewers.

One of the major complaints we have heard from grantees in large segmented projects with a large number of interceptor sewers, where industry is spread out all over the grantee service area, it is very difficult to determine which grantee discharges how much to which interceptor sewer, and how to allocate those ICR costs.

The advantage of charging only on treatment works would be to reduce the administrative work necessary to identify industries and allocate costs, for specific interceptors, and the disadvantage would be that it would reduce ICR revenues returned to the government.

Alternative 5, is to base industry's share of the federal grant on incremental cost basis rather than a proportional cost basis, as is done today.

Basically what this would do is to allow industry to receive the benefits of economies of scale, using incremental cost basis.

If you built a 10 MGD plant, an 8 MGD is allocated to residential use, and it cost you an extra \$2 million to build a plant that is 10 MGD; then you would base it only on that incremental \$2 million rather than dividing the proportionate total cost by 10 to come up with industry's portion to be repaid to ICR.

The advantages, I have said, would be to allow industries the economies of scale, and/major disadvantage would be, it would be very difficult to administer. It is going to be awfully tough to figure out how much that incremental portion should be costed at.

Alternative 6 would be to allow the costs of constructing

industry's portion of the treatment works to be grant eligible based on the grantee's option. If the grantee elects to have industry funded, then he is going to pay ICR just as it is today. If a grantee decides to choose alternative sources for funding industry's share of treatment works, then there would be no ICR.

This would have several advantages. One would be to make ICR a local option. The grantees can decide whether they would be ICR or not, and it would encourage industry to participate in planning and needs identification, if the grantee decides it is going to be an alternative and industry would pay ICR, then it pays industry to participate early.

Some of the disadvantages are, it is not going to eliminate the complaints industry now makes about double taxation and unfair economic burdens based on geographic locations.

Alternative 7 would be to establish some sort of national uniform ICR rate. Dr. Rice touched on this, this morning.

There are many different ways to establish a uniform rate, and all the things you see listed under No. 7 are different subsets of the same idea.

You might establish a national rate. Everybody, that is industry across the entire nation, pays the same rate. You might establish it on a regional basis, those people in the

Northeast pay this rate, those people in the Southwest pay this rate. You could set it up on a state basis or even go down to a city level.

Now, this rate could be modified any number of different ways based on adjustments that you can make to treatment levels and different treatment works, the type of treatment, and level of discharge that POTW is allowed to make.

So there are many different subsets in Alternative 7.

The advantage would be to reduce inconsistencies of ICR rates that a lot of industries complain about, depending upon the level of uniformity you choose. If you choose the national rate, everybody is obviously going to pay the same thing. It would reduce inconsistencies. The major disadvantage would be that it would be very difficult to develop and administer a national rate.

Alternative 8 is to establish some sort of circuit breaker ICR exemption. What we mean by that is based on circumstances listed under No. 8, ICR would either go on or off, depending upon when you exceeded a certain threshold level. These thresholds could be set based on extraordinary circumstances in the local community. For instance, if unemployment went up above 6 percent or 10 percent, okay, if ICR was a factor, you no longer charge ICR.

It may be based on an industry group, it might be based on a geographic area by state or industry or region. It might be based on the level of pollutant discharge. It might be based on dollar payment level.

Basically the kind of exemption you have now is based on pollutant discharge level, where everybody under the equivalent of 25,000 gallons per day is eliminated.

Some advantages of this alternative is to reduce the number of industries required to pay ICR, and to allow flexibility based on special circumstances. One again it is going to be very difficult to administer and it is going to result in inconsistencies from area to area, because some people will be exempt and others will not.

Alternative 9 and Alternative 10 are very similar. No. 9 is to allow a tax credit for ICR payments. This tax credit would be in addition to the already normal write-off industry tax for ICR as a business exemption.

The advantage would be to eliminate industry's complaints concerning double taxation, but it would be once again difficult to administer and would reduce revenues to the government.

No. 10 is to allow tax credits for pretreatment costs that industry might have, and when we are talking about pretreatment costs, what we are talking about is whatever industry

has to pay, both capital costs, and daily operations and maintenance costs to treat wastes inside the plant before they discharge to POTW.

The major advantage here would be to encourage industry to pre-treat.

And once again it would be too difficult to administer and would reduce revenues.

Alternative 11 is to abolish ICR as it currently is and return to requirements of Public Law 84-660, which was the precursor to 92-500. Under Public Law 84-660, the only thing that was required was that industry repay a proportionate share of the grantee's local capital costs, and one complaint that you often hear from industry is the fact that some plants, some Publicly Owned Treatment Works were funded under Public Law 84-660 funding, and do not have to make ICR payments.

One advantage would be it would achieve equity, and there would no longer be inequitable charges based on plants being funded under two different laws.

It would tend to reduce the administrative burdens on grantees because the requirements are not as complex.

Once again, it would reduce revenue, and it still would not put a cap on excess capacity.

No. 12, if I understand what Dr. Rice was saying, is

an alternative very similar to what he was talking about. Abolish ICR as it presently is and require that local share of project costs be recovered through proportionate User Charge.

The advantage would be to achieve equity in the method of establishing rates, if thoroughly and consistently monitored from region to region across the nation.

But it has some disadvantages that have been pointed out to us. One, it is going to reduce the grantee's flexibility in designing rates. Now they are forced to recover capital cost and User Charge/would no longer be allowed to use property taxes and sales taxes, whatever other methods are available.

VOICE: Couldn't that method be optional?

MR. BROWN: It could be optional, but this alternative is set up--

VOICE: Continue the present system, but including an option to recover ICR through User Charges?

MR. BROWN: Sure, that would be using Alternative No. 1 to abolish ICR, and make it optional how you recover. That would be entirely possible. One of the disadvantages of requiring proportional recovery of local capital cost is it reduces grantees' flexibility in designing rates, it is more than likely going to increase administrative costs of handling User Charges, going to increase the costs to large users where

they had a favorable sliding scale rate, and it may require major changes in bond covenants where grantees fund the local share through revenue or general obligation bonds, which the great majority of grantees do.

No. 13 is to add an interest component to current ICR regulations, which means to leave ICR the way it is, and put in 6 percent or 7 percent or 10 percent interest component to ICR requirements.

The advantage here is it more than likely would increase industry's participation in the facility planning, because the potential cost to industry is going to be greater, and it is going to eliminate the perceived subsidy or "interest free loan" component associated with funding industrial capacity.

The disadvantage is that it may encourage industry to seek other alternatives to discharging to a POTW, and possibly would increase both capital and O&M charges where those charges remain in the system.

Alternative 14 is just to extend the ICR moratorium. The advantages and disadvantages we feel are about the same. What is going to happen is it is just going to postpone the date for making the final decision on ICR. The longer you extend the moratorium, the longer it takes before anybody can make a final decision on what their system is going to be if

alternatives, and are there any others that you would like to see us include that are not in here now.

MR. DONAHUE: One thing, I was out of the room when Alan started discussing alternatives. I am not sure if he talked in Alternatives 2 and 3 about eligible costs for POTWs. I am not sure if he talked about present effluent standards.

MR. BROWN: Yes.

MR. DONAHUE: Fine. Several of the other alternatives, talk about the disadvantage of reducing revenues to the federal government, and one of the questions Congressman Roberts asked was how much money will flow back to federal, state and local governments as a result of ICR. And way back when Public Law 92-500 was passed in 1972, some people on the Congressional staffs estimated anywhere from \$4 billion to \$7 billion would come back to the Federal Treasury.

From the data we gathered, we can't see the number is anywhere nearly that large. It looks like it will be more like between \$1 billion and \$2 billion. Even that is a very shaky number.

We are talking about revenues decreasing. Any revenue coming into the Federal Treasury or local grantee through ICR is really revenue nobody is budgeting for, at least not at this point. Nobody is planning to use ICR revenues to pay any specific kind of expense.

It is not really if you don't collect ICR revenues, you are going to have a deficit or something like that.

It is a matter of reducing the revenues that might come into the federal government or local government.

As Alan said, we would like people's reactions, suggestions, comments, whatever kind of thing.

The other thing is, we have pretty much finished all our data collection, at least the field kind of work. But if anybody can come up with some examples or problems, good, bad or indifferent, of User Charge/ICR situations or places where communities are having a really rough time in adopting User Charge/ICR systems, we would like to know about that, too, because there just may be something in that situation that would be helpful in our report.

We have actually found a few cases where communities have--one community in particular--one community very strongly endorses ICR, doesn't want anything to be done to it. Because they have a large share of industrial useage of their treatment works, and they just don't want to see ICR go away, because the community is getting its 10 percent of ICR collections, and the community is using it to offset property taxes.

So while people generally offer alternatives to ICR, there are a few cases where people like it as it is presently

constituted.

If you all can formulate some alternatives or comment on these, either now or in writing before the end of the month, we would really like to hear about it. We would like to hear from you.

MR. JOHNSON: I have one question. The advantage listed under Alternative 4 doesn't seem to me to be consistent with the total system approach that I had thought was included in P.L. 95-217.

MR. BROWN: It is. 95-217 does allow a total system approach. But one of the complaints that you often hear from industry is that by using a total system approach their ICR charge is larger than it would be if they used a specific project-by-project approach.

MR. JOHNSON: The total system approach is optional?

MR. BROWN: Right. Under Public Law 92-500, a grantee could not use the total system approach.

You had to be project-by-project. There were a lot of complaints that it was difficult to administer and awfully hard to handle. So Congress in 95-217 did allow an overall system approach. You take all your costs, lump them together and come up with one ICR rate and that is the rate you charge to industry.

MR. JOHNSON: That answers my question.

MR. GUTIERREZ: It is required you come with a universal formula?

MR. BROWN: Pardon me?

MR. GUTIERREZ: It is required you come out with a universal formula that had to be adopted by all grantees or can you give choices?

MR. BROWN: No, sir, what this is, is an alternative. One possible alternative is to develop a national ICR rate. We are not required to do that. Rather than have a different rate in Austin than we have in Dallas, why don't we have one national ICR rate? It is not a requirement, but it is a possible alternative to the way ICR is constituted.

MR. GUTIERREZ: I see the problem of so many extreme situations, that it is very difficult to come out with one formula. If it would be possible, I don't know if the law authorizes that, that you come out with giving grantees choices, and they can pick up any one that would apply to that particular city. I think the City of Dallas would prefer that. This other community, they would prefer to implement the present Industrial Cost Recovery system. If Congress will accept that, and there is nothing in the law that would prohibit it, I think you can come out with choices, and each grantee would

pick the one that would be more practical to people.

I don't know if this is possible or not under the terms of the present law.

MR. BROWN: No, not under the terms of the present law. But that is what the study is for, is for us to make recommendations to Congress, and that is a possible alternative, to allow grantees various options.

MR. GUTIERREZ: I see the main problem with this has been taking care of extreme cases. You come out with this, something by which you give choices, and there are many alternatives, and they are practical for a small community, but not for the City of Dallas.

My name is Alberto Gutierrez, ^{President} of Gutierrez, a local environmental engineering consultant.

MR. BROWN: Thank you very much. Does anybody else have any comments?

MR. DONAHUE: Somebody must have some comments or questions.

I can't believe we came up with every possible alternative or variation on alternatives to Industrial Cost Recovery. I can't really believe that everybody agrees with everything we have said, and how we have said it. We are looking for public participation and public reaction. Unless it is

reflected in the transcript, Congress isn't going to be aware of what it is.

So those of you who have feelings or suggestions should voice them.

If you don't want to do it now, you should do it in writing before the end of the month. We really do want to get your reaction and your response,

We don't want this study to be perceived as a paper exercise or somebody trying to ^{railroad} through a set of recommendations and we are looking for your reactions and your responses.

MR. PAI: We also open the floor for questions concerning general User Charge or Industrial Cost Recovery. I feel there are certain people who do not really know what a User Charge system is, and what an ICR system is.

If there is no other comment, we would open the floor for questions on anything you want to know, about what are the requirements for a User Charge, what are the requirements for ICR. Maybe after this exercise, you can go back and really address some of the issues you feel in relation to current requirements. I encourage you to raise any issue relating to ICR, and not limit it to alternatives, and not limit it to findings we have to date. If anything at all, it would serve

as a public educating system,

Don't feel shy to ask questions; that is why we are here.

MR. DILL: I think we are going to make this available to a lot of our industrial customers and they will probably respond in writing at a later date. I need to know the proper address that our comments can be sent to.

MR. WILSON: You can address that to the Region VI office, which is 1201 Elm Street, 27th floor, Dallas, Texas, 75270, to my attention, Arvel Wilson.

MR. DONAHUE: We would like to stress, though, that the deadline for submitting the final report to Congress is looming at us. It is fixed by law. We can't get any extension. We don't plan to ask for one.

It is important that if anybody is going to comment or make a statement, that they do it in writing by the end of the month. At some point we have to cut off discussion, and statement gathering and data collection, and start writing the draft report. It is really important that you get or have your industrial people make their comments in writing to EPA here in Dallas by the end of the month.

MR. DILL: Last of October?

MR. DONAHUE: Yes, please.

We would appreciate it if you could send a Xerox copy or carbon copy or whatever of your statements to us. Not trying to short circuit EPA, but it is just a question of expediency and time, if you could send a copy to either Alan Brown or Ed Donahue, with Coopers & Lybrand, at 1800 M Street, Northwest, Washington, D.C. Our zip code there is 20036. We will be glad to give it to you after the meeting or whenever we break.

MR. WILSON: I understand we have some representatives from the City of Fort Worth. We would hope that you would, if you don't make comments at this meeting, would consider this and make written comments. I think communities such as Fort Worth and Dallas will certainly have an impact on EPA and Congress. So I would encourage you, if you have no statement to make at this time, that you do present some written statements to us prior to the deadline or any other communities or industry that is in the audience.

MR. PAI: I also want to make a point that in the meantime, we will make our telephone number available to you, that if you have any questions before you write your comment, you can call us, and this is a regional office here, of course, in Dallas. I am from Washington, D.C., and my number, I will give it to you now, is Area Code 202, Number 426-8945 so if you have any questions to discuss or before you write your comment,

if you want to give me a call, I would be quite happy to talk to you on the phone also,

Alan, you may also want to make your telephone number available to these people,

MR. BROWN: Our phone number in Washington, D.C., is Area Code 202, 223-1700 and if Ed or myself is not available, please ask for Kathy Bale, and she will get a message to us.

MR. WILSON: The number to call in Dallas would be Area Code 214, 729-2686 and ask for Arvel Wilson.

MR. BROWN: Some people earlier expressed an interest in having a copy of our preliminary draft report when it comes out, which is not going to be the whole report, but a 24-or 25-page summary of what we find.

I have been told that EPA will be happy to send you one, if you will just let us know who you are.

MR. PAI: I must also add that the written comments or suggestions do not have to be in a very formal manner. You can scribble on a page or something like that. It is not going to the National Archives. So feel free to express your opinions. We would be appreciative to receiving your comments without spending too much of your time in trying to write the way a lawyer would write it, or something like that.

MR. DONAHUE: If nobody else wants to talk, and we

really wish you would, unless John has something else to say, we will adjourn the session.

I am sorry-- we do have a speaker. All right. If you want to identify yourself for the reporter, please.

MS. COOK: Pat Cook, Frito-Lay, Irving, Texas. I just wondered what the impact of whatever is decided about ICR from your report and from EPA's action on it and the Congress's action, what impact the ICR determination will have on pre-treatment guidelines that are currently being developed by all municipalities? Will what you decide here or from this report determine what the different municipalities use to assess ICR to toxic waste dischargers, and so forth, once their pre-treatment programs are in use?

MR. PAI: I think EPA is in the process, of course, to write a pre-treatment standard. At this point we don't know the final version that will come out. The point you made is well taken, that we need some more coordination in EPA to know how each segment of our work will impact on industry as well as grantees and ordinary taxpayers, so this is something that we would like to take a look at once ICR is out of the way.

The ICR study is based on what has happened. Hopefully we will have certain indications to project future impact of any other requirements. At this time the ICR study is addressed

purely to what has happened up to this point.

Hopefully we will have some coordination in the agency that we will look and interpret regs and find total impact to any affected parties, not only to industries but cities and grantees.

MS. COOK: One other point I would like to bring up. You mentioned earlier, Mr. Donahue, that the way you decide to treat ICR in the end may determine whether or not industry decides it is cost effective to pre-treat their own waste. EPA is currently looking at BAT reasonableness versus BCT, or BPT--do I have to translate that?

MR. DONAHUE: Not for us.

VOICES: We can't hear the question.

MS. COOK: EPA is currently proposing to take a look available at currently / technology for treating waste. They have looked at different industries and tried to determine if it is economically reasonable to require certain levels of pre-treatment. We would like to have a look at reasonableness, too, in ICR. But I just wondered if the fact that EPA is looking at reasonableness on the economic scale might not be correlated with the ICR determinations, because an industry could conceivably decide after EPA's determination that a certain guideline is reasonable or unreasonable, that it might be more cost effective to treat their own waste. So between what they

are doing with BAT, and what you are doing with ICR, we may just decide that there is a better way to handle the whole problem, and there should be some coordination.

MR. DONAHUE: The problem is everybody is interested in what it costs for sewage, but it is a big complex issue. You have pre-treatment, you have BAT, BPT, whatever, you have got ICR. Everybody is interested in total cost, and we realize this and our study is focusing on Industrial Cost Recovery.

If you try to study total cost of sewage, you can go way back to why ^{it} cost so much to build and operate a sewage plant kind of thing, or how do you set the discharge standards you set. What we are really trying to do is take a very big problem which you could never study very conclusively and consider everything, break it down into smaller pieces, and ICR is just one of many pieces.

MR. PAI: Let me further answer that question, Pat, I think one of the things, at least I experience in EPA writing regulations is that we do not have enough input from those affected parties. For instance, on the ICR study we are very fortunate to have national associations of your representatives in Washington help us out in getting real data to do analyses. However, this is not generally true of any other effort EPA

is trying to make a subjective judgment as to what is reasonable and what is acceptable because generally we experience some difficulty in getting data from industries. I think it is a very unfortunate situation in a way, that EPA is viewed as an unreasonable agency trying to impose unreasonable cost to industry. I can assure you that is not the case.

I think this ICR study is as much as the turnout today is, I think it is a very good first effort that we try to work with industries to come up with the real facts in which a judgment can be made.

What I feel at this time is from the industry point of view, they ought to give the agency a chance to see if it will come up with something reasonable. And I don't know how much government or the agency has surveyed your data, but by and large, this ICR study is the only study I know of that we can go to a plant and actually look at his operating data. Many times we have lawyers in Washington D.C. on behalf of industries, and without regard to any piece of information.

We are being frustrated in the Federal Reporting Act and so on. Sometimes we come up with a regulation you feel is absurd. The only reason is we don't have any data in which to make as good a judgment as we want to.

In view of the Congressional concern about the water

pollution problem, we have to come up with the best judgment we can and sometimes that is not the best judgment we can come out with.

I wish to use this podium to give us the opportunity to extend to you our intent to writing "regs." We want to write a "reg" that is easy and reasonable to everybody.

On the other hand, we can't do it alone. We can't create data.

I want to thank you for cooperating with us, for giving us the data so we know how much ICR is, what the impact is. Maybe it is better to go on your own to do self-treatment.

Many other studies are not so fortunate. I want to extend to you what our feelings are.

We feel industry is an integral part of our system. We need your cooperation, not only on this study but on any other study. When EPA sends you a form, fill it out. It will help everybody.

MS. COOK: Thank you.

MR. DONAHUE: Thank you very much. Does anybody else have a question or comment?

Once again, if no one else has questions or comments, I think we will adjourn our meeting.

We would earnestly solicit written statements, written

comments from you or anybody else you think might want to make one. Do go talk to people. The more comments, the more reaction we get, hopefully the better our final report will be.

MR. PAI: We are having an informal session immediately after this one, just to talk with individuals, anyone who wishes to discuss anything with us, we are available immediately after the meeting.

We will be here again tomorrow morning at 10:00 o'clock. If any of you want to go back and go through some of the stuff and come back tomorrow morning, we will ^{be} here at 10:00 o'clock again, and we will try to respond to more questions at that time.

So tomorrow morning at 10:00 o'clock, if nothing else, we will be here.

MR. DONAHUE: Otherwise, thank you very much.

(Whereupon, at 12:00 o'clock, noon, the meeting was adjourned.)

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Sheraton Dallas Hotel
Dallas, Texas

Tuesday, October 17, 1978

The public meeting was reconvened at 10:15 a.m.,
Arvel Wilson presiding.

- - -

STEPHEN B. MILLER & ASSOCIATES

745 THIRD STREET, S. W.

WASHINGTON, D.C. 20024

(202) 554-9140

P R O C E E D I N G S

MR. WILSON: Good morning. I am Arvel Wilson, Region VI Coordinator for the Industrial Cost Recovery Program.

As you know, we opened the meeting yesterday with formal statements. Those I think in attendance this morning were here yesterday. We again open the meeting for any changes, additions or deletions that anyone may wish to make to statements that were made yesterday or if you have questions or whatever, we have the time for discussion.

I have on my right, Mr. John Pai, who is Project Officer; and on my left, the two gentlemen from Coopers & Lybrand, who did the study for us and either of which would be happy to answer any questions that you may have.

Also I would like to remind you that the comment period has been extended until October 31. We would encourage you to get comments in to Mr. Pai, our headquarters office, EPA, Washington, by that date, and I will ask Mr. Pai if he has any comments he would like to make at this time.

MR. PAI: No.

MR. WILSON: Gentlemen from Coopers & Lybrand, do you have statements?

MR. DONAHUE: No, sir.

MR. WILSON: Are there questions or statements from the audience?

I hear none.

Therefore we will adjourn the meeting for this time. If there should be others who arrive later, we would be happy to reopen the meeting and accept comments.

Thank you for your attendance.

(Whereupon, at 10:20 a.m. the meeting was adjourned.)

INDUSTRIAL COST RECOVERY PUBLIC MEETING

- - -

Federal Building
Kansas City, Missouri

Wednesday, October 18, 1978

The public meeting was convened at 10:10 a.m.,
Earl Stevenson presiding.

- - -

STEPHEN B. MILLER & ASSOCIATES

745 THIRD STREET, S. W.
WASHINGTON, D.C. 20024
(202) 554-9148

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PERSONS PRESENT:

Douglas, Dolinar, American Meter

James Martin, Van-Doren-Hazard-Stallings

Charles Plummer, Iowa Beef Processors

Donald G. Kirk, Heinz, U.S.A.

Boyd C. Mills, City of Arnold, Missouri

L. Joe Sell, Western Electric

John C. Thompson, So. St. Joseph Industrial S.D.

Daryl Ripper, So. St. Joseph Industrial S.D.

Alan Shineman, City of Manhattan, Kansas

Jerry E. Petty, City of Manhattan, Kansas

Richard R. Miller, So. St. Joseph Industrial S.D.

Dale S. Duffala, Black & Veatch

John A. Metzler, Kansas Department of Health & Environment

E. W. Bartley, E.P.A.

Richard D. Kuntz, Missouri Department of Natural Resources

Dave Wissing, Carnation Company, Pet Foods Division.

W. C. Nielson, Wapsie Valley Cry., Inc.

John D. McEnrue, Little Blue Valley S. District

Richard Wuttke, Farmers Butter & Dairy Corporation

John Kursitis, Veenstra & Kimm

David R. Duffield, City of Springfield

Harry Criswell, City of Springfield

Stephen: Yonker, Burns & McDonnell

STEPHEN B. MILLER & ASSOCIATES 745 THIRD STREET, S.W. - WASHINGTON, D.C. 20024 - (202) 554-9148

Nate Beezley, N.E. Department of Environmental Control

R. E. Crawford, Wilson & Company

Arthur F. White, Peat, Marwick, Mitchell

Donald R. Boyd, K.C. Missouri Pollution Control

Jim S. Noel, K.C. Missouri Pollution Control

J. Willis Sneed, Wells Engineers, Inc.

William G. Stannard, Black & Veatch

Earl R. Myers, St. Joseph Light and Power Company

Charles Dakin, Whitaker Cable Corporation

George Sallwasser, Horner & Shifrin

J.L. Stein, Anheuser & Busch, Inc.

Ralph Flournoy, EPA

Earle C. Jones, Methodist Medical Center

R. A. Frederick, H.R. Green Company

George W. Milligan, City of Cedar Rapids

Mario G. Nuncio, EPA

Roy L. Jackson, City of Kansas City, Missouri

G. Carlos Knight, Water Pollution Control Department, Kansas
City, Kansas

Greg Rupert, MARC

Walter M. Johnson, City of Butler, Missouri

M. Clark Thompson, Larkin & Assoc.

Bernard A. Rains, Metro. St. Louis Sewer

C. F. Kovach, City of Kansas City, Kansas

Richard Ream, City of St. Joseph, Missouri

Cindy Bernard, City of St. Joseph, Missouri

Richard L. Halda, T.J. Lipton, Inc.

James D. Resnick, City of Davenport, Iowa

Bruce Duffin, Corps of Engineers

- - -

MR. STEVENSON: Good morning. I would like to take this opportunity to welcome you to the Industrial Cost Recovery public meeting.

My name is Earl Stevenson. I am the Water Division Director for Region VII, which means I am responsible for the construction of publicly owned treatment works that are funded under the construction grants program in the States of Iowa, Kansas, Missouri, and Nebraska. It is my pleasure to welcome you today to participate in this meeting which is part of an EPA study of Industrial Cost Recovery.

I would like to excuse the Regional Administrator because she is in Washington today and asked that I represent her.

It is EPA's sincere intention that the public be involved in the study and that the public statements and concerns be reflected in the final report to Congress in December. In order to make certain that everyone has the opportunity to be

heard, we must have a simple, understandable and orderly meeting. To assure this we will observe the following order of procedure.

I would like to encourage, in fact request that each one making a statement please use this microphone that is to my right, which would be to your left of course, and in order that all might hear and the reporter might get a complete record.

An explanation of the purpose of the ICR study and of this meeting will be given by Tom Robertson who is a member of the EPA staff.

Tom, raise your hand.

Also from my staff is John Howard who is on his right.

These young men have made an effort to become thoroughly acquainted with the regulation and will assist us in this meeting.

To my immediate right is John Pai, who is the Project Officer for EPA for the study. To my immediate left is Alan Brown who represents Coopers & Lybrand who are the management consultant firm. Next to him is Ed Donahue who is the Project Manager for the consultant. They are all helping with this hearing and will be available during the question period. Alan Brown will be making a statement for

the consultant.

Now Alan Brown will make a statement concerning the project scope and methodology and also the findings and conclusions of the study as well as some of the possible recommendations which could be made as a result of the study.

I believe all of you have had a chance to register and to indicate on that registration form whether or not you wish to make a prepared statement. We will be using those registration forms to call upon you at the conclusion of the presentations by the consultant.

We fully expect that we will be able to hear from everyone who wishes to make a statement and that if you haven't indicated on your registration that you wish to make a statement, I would like you to do that at this time so we won't overlook you. It doesn't mean you can't be added later on. We will be holding this meeting for as long as it takes to allow everyone to be heard.

We will break for a lunch period and will come back after that, and continue on.

After the prepared statements have been made, questions and answers are certainly appropriate and will be taken.

Industrial Cost Recovery is certainly a current issue and we want the Congress to be aware of your concerns

realting to ICR. We have a court reporter with us today. His name is Steve Miller, and we are delighted he can be with us, and he will make a complete record of this meeting. A transcript of the meeting will be appended to the final report which goes to Congress. At the time you are making your statement, should you make one, we would like you to speak clearly and slowly and inasmuch as we are using a rostrum for you to speak from, we will indicate when you should take the rostrum, and we won't have any problem of more than one speaking at a time, except during the question and answer period, so during thatperiod we ask you to raise your hand.

Now Mr. John Pai who is the Project Officer for the Environmental Protection Agency will chair this meeting. So at this time I would like to turn this meeting over to John. He is from our Washington office and we appreciate his being here to help us. Thank you.

MR. PAI: Thank you, Earl.

Good morning again. Thanks for coming. My name is John Pai from EPA headquarters in Washington, D.C. I am the Project Officer for the ICR study and with Earl's permission I will chair this meeting today.

Let me give a little bit of background of this study : This study is mandated in the Clean Water Act of 1977 in Section 75, which requires EPA to do a study of

ICR on the efficiency of and need for Industrial Cost Recovery. It also set a deadline for this study to be completed by December 28, 1978.

So we have started this contract in early May and one of the basic strategies we set at this point was that because of this being of tremendous public and Congressional concern, we would like to get the public involved as much as we can. We would like to sample all the cities and industries over the country so that we can present to the Congress a complete picture of ICR.

To that end we have met a public participation program for the study. We have visited 110 cities and telephone interviewed an additional 200 of them. In addition to that, we have formed an Advisory Group consisting of 30 associations, including environmental associations, industrial associations, and municipal government associations.

We also have monthly meetings with the Advisory Group to inform them of our progress approximately at the end of each month.

At the end of August we finished data collection. At that point we felt that we had enough data to draw some preliminary conclusions and summaries. In addition to that we can make a series of alternatives that we feel

worth your consideration, as well as ours, that we decided to bring these alternatives or findings to the public for your comment and for your suggestions.

So we started to arrange for these public meetings sometime in September. The reason I want to mention this, of course one of them, we want to apologize for not giving you enough time to notify you or for you to prepare to review the material and to comment on the meeting. I want to thank Earl specifically for this reason, because his regional staff very capably put out this public meeting, and I appreciate that.

In view of the relatively short notice for this meeting, we have agreed to extend the written comment period to the end of this month, so after today's meeting, if any of you feel that you want to send additional comments, please send them to the Region VII office here--they can send it to you, Tom--or send to Coopers & Lybrand in Washington, D.C., or to me in Washington, D.C. We will make our address available to you.

In the meantime, we will also give our telephone number to you, so if you have any questions to ask before you write your comments, please feel free to call on me or the gentlemen from Coopers & Lybrand.

The report for this study we submit to Congress would

give Congress a tool to decide future course of ICR and the Congress would have six months after December 28 to act on ICR, and the reason I want to mention this is because I think a lot of people here are concerned what is the ICR moratorium.

What I just mentioned before on the study and on the future course of ICR is part of the moratorium. In addition to that, the moratorium also declared there will be no ICR payment to be required by the EPA office. However, after six months if the Congress did not act, then ICR requirement, as you see in the September Federal Register, our final ICR reg will immediately become applicable.

The purpose of this meeting I want to re-emphasize is sort of an experiment for us in a way that generally we make our recommendations, or we roughly made up our mind, and then come out and go through a public hearing. In this particular study we feel that we should bring the public earlier in the stage of the decision-making process. So we come here with an open mind as to what are the best alternatives for the future course of ICR. So any of the alternatives that you see in the handout, or in the mailing material, they are not inclusive. We don't favor any one of them. By going through a public meeting in ten regions, we will go back to D.C. and review all the comments you made

or any addition or revision of those alternatives, and we will make a final decision as to what we will recommend to the Congress.

I also want to point out that the final decision of making that recommendation is in EPA. However, that decision, as you may know, was very much based on what you comment on, what your suggestions are, so I encourage all of you to make your opinion known; and we will put them in the record as well as in the base for consideration.

Again at this time I will turn this over to Tom.

MR. ROBERTSON: Good morning. My name is Tom Robertson. I am one of the so-called cadre members in Region VII, responsible for being the resource person for the staff engineers. This morning I will give you a brief history of the Coopers & Lybrand study so we can bring you up to date.

As we all know, the passage of the Federal Water Pollution Control Act of 1972, Public Law 92-500, as it is commonly known, intended that wastewater treatment facilities be operated as nonprofit public utilities.

Section 204(b) of the Act required grantees to develop and maintain a rate system. The first type of rate system was User Charge to cover the operating and

maintenance and replacement cost of the treatment system, from the users of the system on a proportional basis related to useage and Industrial Cost Recovery, to recover from industrial users of sewer systems the portion of EPA grant allocable to the construction of the sewage treatment works.

While some jurisdictions disagree with EPA's regulations and guidelines related to User Charges, most grantees agree in principle with the EPA concepts, idea of economic self-sufficiency for wastewater treatment systems

ICR on the other hand is a topic which has caused considerable debate over the last six years. In response to many questions and much discussion, Congress in December 1977 enacted the Clean Water Act of 1977, commonly known as Public Law 95-217. This Act made several modifications to the 1972 Act. One of the requirements was set forth in Section 75 of the Act, which specified that EPA would study the efficiency of and the need for Industrial Cost Recovery. The study was to include but not be limited to an analysis of the impact of Industrial Cost Recovery upon rural communities and on industries in economically distressed areas, or areas of high unemployment. The report must be delivered

to Congress by December 31, 1978.

In May of this year, EPA contracted with Coopers & Lybrand to conduct the ICR study for the agency. Coopers & Lybrand, a management and consulting firm, is one of the largest of the big eight certified public accountant firms. Their firm was selected for several reasons. Some of the key reasons were they had the necessary expertise and were familiar with the User Charge and Industrial Cost Recovery requirements, had sufficient experienced personnel to perform the study within the very short time period allowed, and was respected by the industrial community and by local governments which had previous exposure to CPA firms as objective and disinterested auditors.

The purpose of the ICR study was to carry out the instructions of Congress. The basis for the contractor's scope of work were the questions inserted in the Congressional Record, December 15, 1977 by Congressman Roberts. A copy of this is available and I believe you have it in your hands.

It has long been the intent of Congress to encourage participation in publicly owned treatment works by industry. The conferees are most concerned over the impact of Industrial Cost Recovery provisions of existing law which it may have on industry participation on these public systems. Accordingly, Industrial Cost Recovery section

has been incorporated in a conference report and EPA is encouraged to submit the results of the study as soon as possible.

It is expected that the Administrator will consult with all interested groups in conducting the study and the study will address at least the following questions.

First, whether the Industrial Cost Recovery program discriminates against particular industries or industrial plants in different locations, and do small town businesses pay more than their urban counterparts?

What is combined impact on such industries of the User Charge and ICR requirements?

Second, whether Industrial Cost Recovery program and resultant User Charges cause some communities to charge much higher costs for wastewater treatment than other communities in the same geographical area.

Some communities have indicated that disparities in ICR and User Charges affect employment opportunities.

Whether a mechanism should be provided whereby a community may lower its User Charge and ICR charges to a level that is competitive with other communities in order to restore parity.

Third, whether ICR program drives industries out of

municipal systems. The extent of community impact should also be evaluated.

(4), whether industries tying into municipal systems pay more or less for pollution control than direct dischargers.

(5) whether Industrial Cost Recovery programs encourage conservation, the extent and the economic or environmental impact.

(6) whether Industrial Cost Recovery encourages effective solutions to wastewater pollution problems.

(7) how much revenue will this program produce for local, state and federal governments and to what use will or should these revenues be put?

(8) Determining of the administrative cost of this program. Additional billing cost imposed, cost associated with the monitoring of industrial effluent for the purpose of calculating ICR charges, auxiliary benefits associated with the monitoring of industrial effluent procedures necessary to take account of the changes in the number of industries discharging in municipal plants, and the impacts of seasonal or other changes in characteristic and quantity of effluents discharged by individual industries.

Coopers & Lybrand has been busy for the last five months asking questions and gathering data from a cross

section of viewpoints.

As a final action in their data collection phase, ten meetings are being held throughout the nation.

To present a summary of the data gathered today, as well as a preliminary set of conclusions as to what the data means, we would like to gather data and statements from those interested parties with whom we have not had the opportunity to talk in the past and want to present a list of some of the alternatives to Industrial Cost Recovery which could be recommended.

Finally, we want to answer as many of your questions as we possibly can.

Our primary purpose, though, is to listen to your comments. With that, I will introduce Alan Brown of Coopers & Lybrand who will tell us briefly just what it is they have been doing for the last five months.

MR. BROWN: My name is Alan Brown. I was responsible for the data collection in the western half of the country, which included this region. When EPA first asked us to conduct the ICR study, the first thing we did was to go back and read the 1972 legislative history related to User Charges and Industrial Cost Recovery to find out exactly what ICR was supposed to accomplish; and stated briefly, we found that there are two major ideas contained

in the legislative history. The first idea was that of equity, or an attempt to equalize assumed economic advantage, and by that I mean less expensive sewage treatment cost to those industries using public sewer systems as opposed to those industries treating their own sewage.

The second idea was that of capacity or appropriate sizing of wastewater treatment plants with adequate but not excess future capacity.

A third idea there but not as central to ICR as the first two was an attempt to encourage water conservation.

Now this background material, together with the legislative history, related to the 1977 Act and Congressman Roberts' questions and Congresswoman Heckler's statements on ICR served as the frame of reference for us to plan the study.

The initial step in late May of this year was to sit down with EPA personnel including John Pai, John Gall from Region I, and Ted Horn from Region V and put together what we call a shopping list of every piece of data we could think of that would assist us in answering the specific questions already asked about ICR, as well as addressing more general issues that were involved.

We took this list of data elements that we put together and converted it into two draft survey instruments.

One that we were going to use for industry and one for grantees. The draft industrial questionnaire was reviewed with the National Food Processors Association, the National Association of Manufacturers, and other public and industrial association groups to see that the information we were seeking was available and could be presented by industry. After refining the questionnaires, we developed a list of people to survey. We compiled with EPA regional office assistance a list of approximately 100 cities which we plan to visit and these cities ranged in size from Ravenna, Nebraska with a population of about 560 to cities as large as New York and Chicago.

We eventually visited approximately 120 cities, some of them twice, if there was strong local interest in the study. Our standard procedure was to attempt to meet first with the local agency responsible for wastewater treatment and then later in the day with any industries, civic groups or public groups that showed an interest in discussing ICR with us. We mailed survey questionnaires out ahead of time to the people we were going to meet with, so that they knew the kinds of data we were looking for and could prepare before we arrived. We stressed the participation in the survey and in the study was voluntary.

Now in many cases people cooperated and returned completed questionnaires rather than meeting with us personally.

After the list of 100 visits to cities was compiled, we came up with an additional list of 200 cities for telephone surveys. The same questionnaires were used and they were mailed in advance to the people who were to be surveyed over the phone.

We also came up with a group of five, which was later expanded to six industries selected for detailed study.

Although we were interested in discussing the impacts of ICR on industry in general, we were particularly interested in industries which met one or more of the following criteria: an industry that was labor-intensive, had a low operating margin, there were high water users, were particularly affected by seasonality or particularly affected by pretreatment regulations. The industries eventually selected for detailed study were meat packing industry, dairy products, paper and allied products, secondary and metal products, canned and frozen fruits and vegetables and textiles.

A list of selected establishments in those industries located in cities where we were going to visit in

the telephone survey was prepared and the survey forms mailed to those establishments.

The entire data collection effort, as I just described it, the personal visits and the telephone surveys of grantees and industries was accomplished in six weeks using ten teams of C&L consultants in the field.

The second step in the study after the data collection and just as important as the first was to develop mechanisms for public participation in the study. We wanted grass roots involvement and an open study. We put together an ICR Advisory Group of approximately 40 individuals representing industrial, environmental, civic, local government and Congressional interests and relied upon them to keep their local chapters involved in the study. Monthly the meetings were held in Washington and transcripts of the meeting mailed to anyone wanting them.

The third step in the project was to summarize and analyze the data that we collected. We are currently completing this task in our office in Washington and have reached some preliminary conclusions as to what the data we collected means. Several computerized statistical analyses were developed and are currently being refined. We have looked at enough data so far to be able to formulate some possible

alternatives to ICR as it is presently constituted, and the purpose of our meeting today is to relate to you what we found and get your reaction to it.

After these ten regional meetings are held, we will put together a draft final report which will be widely circulated and this is scheduled to be written in mid-November. Then in December we will begin to write our final report which will be delivered to Congress in late December. The final report will contain recommendations.

We cannot of course guarantee that Congress will act on our recommendations.

Since you are all interested in our findings and conclusions, I will turn the meeting over to Ed Donahue who is going to talk to you a little bit about what we found, what we think it means, and what possible alternatives could be selected for ICR.

MR. DONAHUE: Good morning. The data and statistics that I will be using are based on the data that we gathered in our study, and the data is currently being studied, validated and refined in our Washington office. Rather than hand out raw data of computer printouts that are understandable to only a few people, we have summarized our data to a handout entitled "ICR Study Data" dated October 10, 1978. You

should have received copies of this handout earlier. The final version of the data analysis will be much more extensive, much more detailed than this, and will be included in our final report as an appendix to the report.

Without any further delay, let's look and see what we have got. Remember, though, the data is mostly average data and requires careful thought before using it. It can be very misleading. We eventually got data from 241 EPA grantees. The best data obviously came from places we actually visited. Data obtained through telephone surveys was not as complete or precise but it was useable.

We also obtained data from 397 industrial facilities, mostly through the effort of trade associations. The industrial data is at plant level rather than company level.

Looking at the major issues before looking at specific data, the first thing we want to address is the issue of equity or the assumed economic advantage; namely, less expensive sewage cost for industries using POTWs versus those treating and discharging their own waste.

We used a computerized model which we had developed for industrial clients for tax purposes and modified it to reflect user charge and ICR situations. Basically the

model incorporates equations which were developed for us by Camp Dresser & McKee, which reflect the cost of doing business, enabling the company to evaluate alternatives-- in essence, a "make or buy" decision. In this case the question was whether to use ^{treat} POTW or to ^{treat} ~~use~~ their own sewage.

What we found for some medium or large industries having compatible wastes, it is cheaper in the long run to self-treat without including any ICR charges in the calculation, just using User Charges. This is a very significant finding. What it means is that even without ICR pretreatment costs, large industries should from the economic viewpoint treat its own sewage. This is based on several tax changes that were not really known to the Public Works Committee when they wrote 92-500 in 1972.

Basically there are three tax incentives for people to self-treat, which make it attractive for them to self-treat:

Accelerated depreciation, five-year write-off for pollution control equipment.

Investment tax credit to capital equipment

And use of tax-free IDB's or Industrial Development Bonds to finance self-treatment facilities.

The proposed tax law changes, some of which have

just been enacted and some of which are going to come over at the beginning of the next session, if enacted will make it more attractive for industries to self-treat because of the increase in investment tax credit that the tax laws are talking about.

What this finding says is for many industries it is cheaper to self-treat than use POTW. If this is the case, why don't more industries self-treat? There are several reasons. Either they are geographically located somewhere that they can't self-treat, not on a river or stream or some receiving body that they can discharge into; or, the second reason, probably more common, is that they just don't want the hassle of self-treatment. They don't want to have to have an NPDES permit, don't want to have to operate a sewage treatment plant, etc.

UC/ICR has not been in effect long enough to see its impact. The significant thing to bear in mind, though, is that if ICR and pretreatment costs are added on top of User Charges, they could be the "final straw" that drives industry out of POTWs, thus making it more expensive for remaining POTW customers to use the facility. In particular, EPA's application of pretreatment standards is likely to make many industries consider self-treatment.

The second major issue is that of POTW capacity. Based on the survey of 241 wastewater treatment facilities from which we obtained data, the average POTW uses only 68 percent of its design capacity. The usage ranges from a low of 4 percent to a high of 120 percent. It appears that ICR, as presently formulated, has not acted to put a cap on the construction of excess future capacity in POTWs.

The third issue, that of water conservation, is not as clear. Based on the industries we surveyed, water consumption has dropped an average of 29 percent, but the industries with whom we talked attributed the water conservation to higher water rates and to user charges, not to ICR, because Industrial Cost Recovery, as a percentage of water bill and User Charges, is not that significant at this time.

The economic impact of ICR to date is not significant, in most locales, because:

ICR has not been in effect for more than a year or two; and secondly, most grantees have suspended ICR billings while the moratorium is in effect.

The exception to the insignificance of ICR is those cases where there are seasonal users and/or AWT. In those cases, total sewage costs for industries have increased by several times.

The incremental impact of ICR above User Charges is generally not great with the exception of the two cases just mentioned; the combined impact of User Charge and Industrial Cost Recovery can be very significant.

We can find only a few scattered instances of plant closings due to sewage costs, and none attributable solely to ICR. The total jobs lost in the plants that did close was less than 1,000. In every case, there were other factors such as plant age which affected the plant closing also.

The impact of Industrial Cost Recovery appears to be greatest in older cities, particularly in the Northeast, and particularly in small to medium sized cities, and in agricultural communities. There does not appear to be any impact of Industrial Cost Recovery on the industrial growth patterns to date. We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data. The cost to industry of sewage treatment is much greater, by about 50 percent per gallon, on the average, in AWT facilities as compared with secondary plants.

The incremental cost to grantees to maintain and operate an ICR system--by that I mean the "eliminatable cost" above and beyond the cost of maintaining a User Charge system--is small, when compared to the total costs of sewage,

averaging about \$15,000 per grantee per year. Average ICR revenues per grantee per year are approximately \$88,000 of which \$8,800 is retained for discretionary use by the grantee.

There is more data which might be of interest to you that is included in this handout and in some other handouts we have. We would be pleased to discuss specific data during the question and answer period at the end of our meeting.

To summarize our findings and conclusions very briefly:

ICR is not doing what it was supposed to do.

Relatively few cities have implemented Industrial Cost Recovery and most of those who have implemented Industrial Cost Recovery have suspended collections.

ICR to date has had no significant impact on employment, plant closings, industrial growth, import/export balance, or local tax bases.

ICR is not proving cost-effective, in producing revenues for local or federal governments, at least in most cities.

We must realize, however, that the Clean Water Act had social as well as economic objectives. Among other things, Congress was attempting to avoid the appearance of

using public money to subsidize industries that discharged to grant funded POTWs. While our studies have shown that many of the economic objectives have not been met, the social objectives remain. Accordingly, it is appropriate to consider a series of alternatives to ICR as it now exists.

At this time I will ask everyone to turn their attention to a document entitled "Preliminary Compilation of Possible Study Alternatives" dated October 10, 1978, which you should have copies of. The document presents 16 alternatives, ranging from leaving ICR as it now is to outright elimination of ICR. These alternatives are not necessarily mutually exclusive. That is, some of them could be combined for concurrent use.

Since not all of you have had the time, in fact probably most of you have not had the time to look at these alternatives, what we would like to do is adjourn the meeting for 20 or 30 minutes, give people time to read through the alternatives, get some personal reaction, and sort of stretch your legs a bit, if people will take 20 or 30 minutes to read this and then take statements or questions.

MR. PAI: If we could come back at eleven o'clock. Those who want to make a statement, register with the lady down there.

MR. NIELSON: Could you explain some abbreviations?

MR. DONAHUE: I guess when you get involved in this, you fall into the jargon habit. We have a glossary of terms that we used that we stole from an EPA publication, for those people who are not familiar with engineering and accounting jargon that gets used and thrown around here. We have several copies of the glossary of terms. I apologize, we all apologize for falling into jargon habits.

If we could come back together at eleven o'clock.

(Short recess)

MR. PAI: Ladies and gentlemen, would you kindly sit down and let's continue with the meeting.

MR. DONAHUE: If everybody could take a copy of the alternatives, possible alternatives, Alan is going to go through them one at a time. There are a lot of subtleties in some of them, and some are not very subtle like the first one. But one of the things we want to stress is these are just a list of alternatives that we were able to come up with among ourselves from a management financial point of view, among people from EPA in Washington and some of the regional offices, among some people from our Advisory Group, including some industrial people, environmental people.

If anyone can propose additional alternatives or

variations on these, or combinations of these, we would be glad to hear from you later on in the meeting. This is not intended to be a comprehensive list of alternatives. I would like Alan to discuss the alternatives.

MR. BROWN: As Ed told you, we tried to come up with a laundry list of everything we could possibly think of from all different sources. What I will try to do is go over these and tell you what we thought about what the alternative means as we envision it, what some advantages are and what some disadvantages are. The list of advantages and disadvantages are by no means comprehensive. We just tried to put down some very basic ideas to give people enough to think about and to be able to discuss the points.

For instance, on some of the disadvantages, you will notice that a lot of times one of the things we talk about is eliminate ICR revenues returned to the Federal and local governments. I guess some discussion of that is called for.

We are not trying to quantify actually how much is going to be lost to each local government or to the Federal Government, but we estimate that ICR revenues, once this whole thing gets on line, are going to be between \$1-2 billion, which is significantly lower than was estimated earlier. I think the Public Works Committee or someone estimated \$4-1/2 to 7 billion a year. Now we estimate the

total ICR revenues of between \$1 billion and \$2 billion, and that means the amount of money returned to the Federal Government will be half a billion to a billion dollars a year. Over 30 years--excuse me--not a year.

That could have been a significant problem later on. That is over 30 years.

The first alternative, and these things are not ranked in any order of preference or anything like that, we are numbered so we can talk about them--the first one and most obvious alternative is just to abolish ICR, get rid of it, not substituting for it, just throw it away.

Some of the advantages are that it would eliminate complaints from grantees that we have heard that ICR is not cost effective, it is difficult to monitor and enforce and administer. It is going to eliminate complaints from industry that ICR is really double taxation, and in some cases adds an unfair economic burden based upon whatever geographic area you are in. It is also going to eliminate some inconsistent ICR charges that can be seen across the country, based on the same type of treatment plan.

Some of the disadvantages, I remember one of the criteria we talked about earlier, ICR was designed to put a cap on construction of excess capacity, and one of the disadvantages will be that without some control over design

parameters allocated to industry, abolishing ICR may encourage some grantees to plan and construct treatment works that are larger than necessary.

Another disadvantage will be lost revenues.

Alternative No. 2 is to base the grant funding for eligible project costs, and this includes industrial capacity, on a sliding scale, funding current needs at 75 percent and reducing the total federal share of the project cost as grantees plan treatment works that are larger than current needs indicate.

ICR would be computed the same way it is today on current regulations.

Now when we talk about current needs, what we are talking about here is secondary, and if a state or local community decides that they want to build a tertiary or advance treatment plant, then the federal portion would be based only on the cost of the secondary. Your grant funding would go down proportionately. If you need a 10 MGD plant for current needs and you build a 20 MGD plant to meet excess capacity, your grant funding is going to be downbased on some formula. That is the total project cost.

Some of the advantages here would be to encourage more front end planning, reducing excess capacity that you

sometimes see designed and constructed. It is going to encourage industry to participate in planning, in identifying treatment works needs.

Some of the disadvantages are that it may not be cost effective when you are designing treatment works for large, rapidly growing areas and going to increase the total share of cost for grantees building treatment works larger than their current needs indicate.

Alternative No. 3 is very similar to Alternative No. 2 and it is to base grant funding for eligible project costs once again on a sliding scale.

But the only thing that would be federally funded would be domestic needs. The industrial share of the treatment works would be funded by the grantee.

This alternative differs from Alternative No. 2, in that No. 2 we find industrial and other capacity based on current needs. This Alternative No. 3 would eliminate ICR because there would be no federal grant for industrial share, and therefore there would be no ICR. The advantages would be to eliminate grantee complaints that you have heard before that it is not cost effective and difficult to monitor. It would eliminate industry's complaints about double taxation, it would eliminate the costs associated with implementing and monitoring ICR systems and would

encourage better planning.

The major disadvantage was, it is going to increase local share of project costs which could be significant in many cases. These costs could be added on and passed through to industrial users and might exceed the total ICR costs because there is going to be no federal funding at all for industrial capacity.

Alternative No. 4 is to charge ICR only on treatment works, and eliminating any charge on interceptor sewers.

The advantage here would be reduce administrative work grantees often have to go through now in attempting to identify and allocate costs to industries on specific interceptor systems.

The major disadvantage would be to reduce revenues.

No. 5 would be to base industry's share of the federal grant on an incremental cost basis rather than proportional cost basis as is the case now. This means if you have to build a 10 MGD plant, and 2 MGD of that is allocated to industry, you base the cost of ICR on an incremental basis rather than a proportional basis; if you figure that additional 2 MGD for industry it costs you \$1-1/2 million. That is what you base the ICR portion on.

The advantage here would be to allow industry to receive benefits of economies of scale using an incremental cost basis, and major disadvantage would be to make it very, very difficult to determine what these incremental costs really are.

And it would be very difficult to determine incremental costs.

Alternative 6 would be to allow the costs of constructing industry's portion of the treatment works to be grant eligible based on grantee's option. If the grantee elected to have federal funding for industry's share, there would be ICRs as currently constituted. If the grantee used an alternative source of funds to fund industry's share of treatment works, there would be no ICR. Grant eligibility could be based either on proportional or incremental, depending on how it is determined.

The advantage here would be to allow grantees to make a local decision on ICR. If the grantee wanted ICR, then he could accept federal funds, and if he didn't want ICR, then he would have to identify additional sources of income.

And another advantage would be to encourage industry participation and planning, because industry would

be greatly impacted depending upon how the grantee decided to go.

A disadvantage here would be that industry may still complain that there is double taxation in that you have inconsistent and unfair economic burdens of ICR depending on where you are located.

Alternative No. 7 is to establish a uniform ICR rate, and all the things you see listed below are the possibilities for determining a uniform rate. For instance, you could do it nationally, regionally, on a state basis or city basis; all of those would be reasonable.

The rate could be modified and based on the level of treatment from the plant, treatment type or level of discharge from POTW. For instance, an industry discharged to a secondary treatment plant, then possibly his ICR would be adjusted upward, so that it is equitable in relationship to other industries that have to introduce to, say, a tertiary plant.

One of the advantages would be to reduce inconsistencies of ICR rates across the country, but major disadvantage is that it is going to be very, very difficult to develop and administer.

Alternative No. 8 is to establish what is known as a circuit breaker type ICR exemption. As local conditions

exceed a certain threshold level, then ICR would drop out and would not be collected. As conditions went below threshold, ICR would kick back in and would be charged to industry. Now some of the thresholds that you might want to base ICR on would be local economic conditions, such as unemployment, or based on strictly, say, an industry group or geographic area; level of pollutant discharge or even dollar level of ICR payments.

Now currently EPA has a level of pollutant discharge exemptions which is equivalent of 25,000 gallons per day domestic sewage. That is a circuit breaker. That gives you an idea of what we are talking about here.

Some of the advantages would be to reduce the number of industries required to pay ICR, and to allow flexibility based on special circumstances.

A disadvantage would be, it would be difficult to administer and develop and it would result in inconsistent charges from section to section.

Alternative 9 and 10 are basically the same. Alternative 9 is to allow a tax credit for ICR payments and Alternative 10 is to allow tax credits for pretreatment costs. The tax credit for ICR payments would eliminate industry complaints about double taxation, and the tax credit would be in addition to normal write-off that industry is normally

taking for ICR as a business expense.

The disadvantage would be, it would be difficult to administer and it is going to reduce revenues and it is also going to require some legislative changes.

Alternative 10, tax credit for pretreatment would be a tax credit pertaining both to capital investment and O&M costs. And industry would be able to take a credit for its capital investment in equipment and for the amount it cost to operate and maintain that equipment each year.

The major advantage here would be to encourage industry to pretreat waste.

Disadvantages are it would be difficult to administer and once again reduce revenues.

Alternative 11 is to return to the requirements of Public Law 84-660, abolishing ICR as it is now.

One of the complaints that we have heard from grantees and industry alike is that communities that had treatment works funded under Public Law 84-660 do not have ICR, and therefore it is less expensive for industries in those areas, adding unfair economic edge.

What Public Law 84-660 required was that there be proportionate charge for grantees' local share of capital cost, so that is what we are talking about.

The advantage would be, it would eliminate complaints from industries that there is an inequitable charge, depending on which law provided funds for public treatment works. There is a possibility it would reduce the administrative burden on grantees, because it is less difficult to comply with requirements of 84-660 than 92-500.

Disadvantages are reducing revenues and there is the possibility that it would encourage excess capacity, lacking other controls.

Alternative 12 would be to abolish ICR as it is now, and have no ICR payments and require that the local share of project costs be recovered through proportionate User Charge. This would extend control over the User Charge and it is going to mean that EPA currently does not look at debt service. If this alternative were adopted, it would mean debt service would have to go into User Charges just as you're on.

The advantage here would be to achieve equity in establishment of rates, if thoroughly and consistently monitored.

Major disadvantages are it would reduce grantees' flexibility in designing rates. The grantee would not have the choices and options available that he has today.

It is going to increase the grantee's administrative cost because it would make the User Charges more complex.

It is going to increase costs to the large users where the grantee currently uses a sliding scale rate, and it may require major changes in bond covenants where grantees have used revenue or general obligation bonds to finance the local portion.

Alternative 13 is to add the interest component to current ICR requirements. This would eliminate the perceived subsidy to industry through an interest-free loan for treatment capacity.

The advantages would be to increase industry participation in facility planning because their ICR costs are going to go up, and it would eliminate that perceived subsidy.

The disadvantage would be that by increasing your ICR cost, it may encourage industry to seek other alternatives to using POTW and would increase capital and O&M cost for those people that remain on the system.

Alternative No. 14 is to extend the moratorium. We feel that the advantages and disadvantages are basically the same here. By extending the moratorium, you just postpone the date from making a final decision, and you really do not accomplish much.

Alternative 15 is to maintain ICR in its current form, making no changes to it. The major advantage would be that it requires no administrative or regulatory changes to levy CR as it is, and the disadvantage would be that it would eliminate none of the problems that are currently ascribed to ICR by grantees and by industry.

And No. 16, Alternative 16 is to require a letter of commitment in a contractual form for industries or for industrial users of POTWs when POTW is sized in the beginning.

The advantage would be, it would encourage more precise planning on both grantee and industry's part, and the disadvantage would be that it would commit industry for a longer term than most of them are willing currently to commit themselves, and may drive them out of POTW to alternative sources.

I have gone through very quickly here the 16 alternatives that we have identified, some advantages and disadvantages. Now I would like to turn it back over to John Pai.

MR. PAI: Thanks. I think by briefly summarizing those alternatives, we will try to address two key issues. No. 1 is that we need for industrial users to be more responsible or to participate earlier in the planning process

of a sewage treatment plant.

No. 2, try to eliminate administrative problems for both municipal grantees and for the industrial users.

That is basically the key of any of these recommendations. If you want to think in any other terms which would address these issues, that is what our emphasis is; what we would like to present to Congress is, is better planning or more responsible planning process; earlier stage of planning process, and simplification of administrative aura.

At this point I would like to open the floor for those who reserved time to make a statement. I will go by the list we received from the register counter. After we finish with them, anybody who wants to have further statements to be made, we will have time for them.

At this time I will call the first gentleman who wishes to make a statement, Donald Kirk-

A VOICE: Before we begin, are participants here going to receive a copy of the minutes of this meeting and what is said, or are we going to have to take notes?

MR. PAI: We will send out a summary of this meeting to every participant. We will also make copies of the transcript available in the regional office. I am not sure we can send everyone a complete text of the transcript, but we definitely would have a summary for this meeting.

If anybody who wishes to receive that copy would please register with the desk down there.

I made that commitment for the regional office. We will make that available to you.

STATEMENT OF DONALD KIRK, MANAGER

ENVIRONMENTAL ENGINEERS, HEINZ, U.S.A.

Mr. Kirk: My name is Donald G. Kirk, Manager, Environmental Engineers, Heinz, U.S.A., Division of H.J. Heinz Company.

Today I am representing the National Food Processors Association, a trade association whose member companies process about 85 percent of the nation's canned foods for human consumption. I also represent Heinz U.S.A., Division of the H.J. Heinz Company which conducts food processing operations at 14 locations across the country. Several of these locations, in this region and elsewhere, have been affected by the industrial cost recovery program.

Many food processors which discharge to publicly owned treatment works have reported excess increases in wastewater treatment costs. Most of these are a result of industrial cost recovery and related grant requirements under the Clean Water Act. I should like to cite three examples from the experience of Heinz U.S.A.

In one situation the municipal plant was upgraded from primary to secondary treatment. Sewer costs increased from \$35,000 annually prior to construction to \$150,000 following establishment of the industrial cost recovery system after project completion. Further refinements have escalated the costs to \$240,000, or nearly seven times what they were four years ago.

In a second case, the municipal plant underwent an upgrading of its secondary treatment system. Company treatment costs increased from pre-project levels of \$40,000 per year to \$610,000 after establishment of industrial cost recovery. These are now increasing to \$820,000, or an increase of twenty-fold over four years.

In the final example which I wish to cite, the municipality had completed final design and cost estimates on a proposed upgrading of secondary treatment. Treatment costs were projected to increase from \$55,000 to \$300,000 annually, or more than 5 times. A long term commitment for these costs would have been required. Since the factory was not highly profitable, the facility was old, and some future loss of production was expected, it was judged to be a mistake to make such a long term commitment. Therefore, the factory was closed, resulting in a loss of over 500 full-time and

and part-time jobs.

These three cases show the magnitude of economic pressures being felt by food processors subject to industrial cost recovery programs. Unfortunately, these seem to be typical of our industry.

I should like to identify some problems with the industrial cost recovery program:

1. Congress apparently developed this program so that dischargers to municipal systems would not receive an unwarranted or disproportionate benefit from grant funds, creating unfair competitive advantages. It appears that the opposite has occurred. Coopers and Lybrand have made an intensive study of data resulting from a detailed survey of the food industry. Their preliminary results show that municipal treatment system costs are two to four times self-treatment costs.

2. The industrial cost recovery program is not the sole reason for high municipal treatment costs to industry. However, it is major, as industrial cost recovery may constitute over 20 percent of total costs in many cases.

3. In addition to the direct effect of the grant repayment requirement, the method of cost sharing dictated by the Clean Water Act indirectly affects the industry share of local capital requirements. The proportional sharing requirement puts the industry in the position of partially subsidizing a municipality.

a municipality.

4. The seasonal nature of food processing often requires that the municipality provide a large treatment capacity which is unused much of the year. This requires a disproportionate commitment to capital and industrial cost recovery charges, amplifying the industrial cost recovery impact. This often occurs in small towns, where the industry becomes even more vulnerable to a heavy commitment.

5. The current high costs discourage the use of joint municipal-industrial treatment systems with their advantage of economy of scale and the regulatory advantage of fewer discharges and treatment control points.

Because of the aforementioned problems, it is recommended that the industrial cost recovery program be discontinued. It is realized that there are many alternatives which could result in partial relief. However, the magnitude of the inequity is such that total abolition is necessary to remedy the problem.

If total abolition of the industrial cost recovery program does not occur, or if EPA continues to influence the manner in which wastewater treatment cost sharing between industries and municipalities is conducted, some changes are needed. A more flexible system is suggested which would allow industry to pay, as a minimum, the incremental costs incurred by their presence in the system.

This incremental cost is the difference between the cost of the joint industry-municipal system and the expected cost of a system designed to handle only municipal flows if no industry were participating. This will eliminate any subsidy of the municipality by industry, and indirectly urge some reduction of the inflated industrial share of local capital costs.

Mr. Donahue: The data that Mr. Kirk cited about food processors is contained in the last three pages of that handout on study data, based on data supplied by members of the National Food Processors Association. We came up with some statistics and averages. That is the data he is talking about. You do have copies of it.

Mr. Pai: Mr. Boyd Mills please.

MR. MILLS: My apologies. He asked me if I had a prepared statement, I don't.

A couple of comments. My name is Boyd Mills. I am City Administrator in Arnold, Missouri, over near St. Louis.

This Industrial Cost Recovery has cost the city quite a bit, in staff time as well as our consultants' time. We tend to feel it is a mite unreal. We are a suburb, a satellite, if you will, of the City of St. Louis. We have gone to great lengths to attract industry. I am happy to say we have one of

the top industries coming into our area and building at this time. They have a representative here today because of their interest in Industrial Cost Recovery, and some questions I am sure, of the inequities in it. Our consultant is here, and I am here.

Because of this one industry that is coming in, we have to get up to our eyeballs in Industrial Cost Recovery. If this same area was to be developed by a private developer, with all residential homes, I venture to say none of us would be here and we wouldn't have to worry about Industrial Cost Recovery,

The one thing that bothers me a little bit, and I see it crop up here in the meetings, the use of the word Industrial Cost Recovery, the ICR and user fee are used almost interchangeably. You just go from one to the other and back and forth, just as if the fence had been driven into the ground. We feel that we have a good user fee in force, everything considered. We have a proposed user fee before the EPA, I believe, because we are that far along in our grant, and we feel anyhow that we can more than adequately handle industry coming in, their participation in sewage treatment, if you will, and we would like to see it stay at the user fee level, and not be saddled with this Industrial Cost Recovery.

At such time as EPA can make up their minds and get

away from this interchangeability of user fee and ICR, well, maybe we can get some of the kinks ironed out and get this thing off the ground,

The ICR is a burden that we don't want to be saddled with as a city and I am sure that, as Mr. Kirk said, the industry doesn't. I personally feel very strongly that the same principles or same intent, if you will, can be put into user fee and we can go from there and we can get the doggone job done.

Thank you.

MR. PAI: Thank you.

MR. DONAHUE: The one comment I would like to make is that we refer to User Charge, Industrial Cost Recovery, sort of simultaneously in the same breath, because it is really sort of hard to separate them.

The purpose of the study is to look at Industrial Cost Recovery if you read the law, Section 75 says EPA shall study efficiency of and need for repayment, and so forth.

Some of the questions asked in the Congressional Record, legislative history related to User Charge as well. So we are really trying to look at total cost of sewage treatment, with an emphasis on ICR, and any of the alternatives that we have posed are based on a premise that even if you do away with or modify Industrial Cost Recovery, you are still going to have

to maintain a User Charge system, so that is the point of departure for any of our alternatives.

John.

MR. PAI: Thank you, Ed.

Mr. Richard Miller, please.

STATEMENT OF RICHARD R. MILLER,

SOUTH ST. JOSEPH, MISSOURI INDUSTRIAL SEWER DISTRICT

MR. MILLER: My name is Richard R. Miller. I am the Chairman of the Board of Supervisors of the South St. Joseph, Missouri Industrial Sewer District. I offer the following comments concerning Industrial Cost Recovery.

Without the opportunity to review the Coopers & Lybrand Report, we can only comment on the potential impact of Industrial Cost Recovery on the industries within the South St. Joseph Industrial Sewer District. The South St. Joseph Industrial Sewer District was created on May 7, 1962 and pursuant to the provisions of the Statutes of Missouri, is a political subdivision of the State of Missouri. The Industrial Sewer District provides primary treatment to 14 industries and businesses within the District. Five of the industrial establishments bear total responsibility for the payment of principal and interest on bonds sold in 1963 to finance construction of primary treatment facilities.

In order to comply with the discharge requirements of Public Law 92-500, the Industrial Sewer District will transmit the effluent from the primary treatment facilities to the City of St. Joseph treatment works for secondary treatment. The City of St. Joseph anticipates that the secondary facilities now under construction will be complete in the spring of 1979.

In 1977, the Industrial Sewer District incurred costs of approximately \$187,000 in providing primary treatment to the industries and businesses served by the District. In 1980, the costs for primary treatment incurred by the District and charges for secondary treatment provided by the City are projected to total \$543,900, an increase of about 190 percent over the 1977 costs for primary treatment.

In addition to the costs for secondary treatment, the Industrial Sewer District will be subject to Industrial Cost Recovery charges associated with the City's secondary treatment facilities. The ICR charge to the District in 1980 is projected to be approximately \$124,000. The resultant total annual treatment bill for the District in 1980 is projected to be \$686,900, over 3-1/2 times the 1977 costs incurred by the District.

Since 1970, two major production facilities served by the Industrial Sewer District have closed while others have curtailed production and 75 percent of the anticipated load for

our primary treatment plant has failed to develop.

As can be seen by these figures, the economic impact of secondary treatment on the remaining industries within the District will be substantial. The additional costs for secondary treatment, both in user charges and ICR, will, without doubt, adversely affect the cost picture of industry within the District.

The Industrial Sewer District recognizes that secondary treatment is expensive. However, the District feels that Industrial Cost Recovery unfairly discriminates against the industrial customers of the treatment works. The additional burden of ICR is not related to costs incurred by the City of St. Joseph, Missouri in providing secondary treatment and can only inhibit economic growth in the Industrial Sewer District.

MR. PAI: Thank you. I want to make one comment on the statement, which I think is not a very uncommon example, in a way that the industrial capacity was provided for before the industrial users had an opportunity to know what are the costs to them. As a result, there have been examples where a plan was designed for the purpose of treating industrial users, and when the time comes down to make User Charge and industrial cost repayment, they had a second thought of it. As a result we had large excess capacity not being used, which is not only a waste

of federal money, but also a waste of local citizens' money. That is one of the things we are very concerned with, and I think every one of us should be very concerned with this. That brings me back to my original intention of these alternatives. We try to encourage industrial users to know what they have to pay before they say I want to use capacity, before grantees agree to provide capacity to them. I think between Mr. Mills and Mr. Miller, they show two examples of how one case can work out, where you have industry that wants to come into town, and in the other case, they decide not to come in.

We will particularly emphasize alternatives to the Congress,

Mr. W.C. Nielson, please,

MR. NIELSON: I would like to pass at this time, if I may.

MR. PAI: Mr. Richard Wuttke,

MR. WUTTKE: I would like to pass at this time, too.

MR. PAI: Mr. Don Boyd.

MR. BOYD: Pass,

MR. PAI: Mr. George Sallwasser.

MR. SALLWASSER: My name is George Sallwasser, I am with Horner and Shifrin, Consulting Engineers. I would like to make a comment with regard to the discussion of advantages and

~~dis~~advantages listed on the alternatives that is put out in this draft report. I think it is important that we not take as a "given" that excess capacity is a detriment. For those plants that are expanding or those facilities having to expand their capacity, at 1978 prices, the most cost effective capacity that they have is the capacity they built five, ten or 15 years ago. And I think that obviously there is a point where excess capacity is not warranted. But I think that a disadvantage of some of the concepts is that sufficient excess capacity will not be constructed at the current time. I think that that accounting ought to be read into the advantages and disadvantages.

The other thing that I was extremely interested in, the summary of the Coopers & Lybrand report. It has reinforced the feelings or the concepts that we have in dealing with a relatively few number of Industrial Cost Recovery systems. Basically we find that the Industrial Cost Recovery is a relatively minor part of the industry's total cost, because User Charges far outshadow that.

For instance, if capital costs are involved between 60 cents per gallon per day of a capacity up to \$1,80, the industrial User Charge prorated over 30 years, and assuming 75 percent capacity, means that your annual industrial cost is \$15 to \$45 per thousand gallons per day of capacity on an

annual base.

User Charges, if they are as low as 30 cents per thousand gallons will be \$110 on an annual basis for a thousand gallons, and they can go up to a dollar. Then of course that gets up to \$365 on an annual basis for a thousand gallons.

It seems to me that the Industrial Cost Recovery certainly for small users is--well, small and large users, is a small percent of the total cost, and for small users, the dollars are relatively insignificant and therefore will not have any effect in controlling the industrial decision making, and so to the extent that it was intended to control industrial decision making, it seems obvious to me from my limited experience that this would be true, and Coopers & Lybrand's report reinforces this. So my primary concern is with regard to administrative costs of administering Industrial Cost Recovery.

My suggestion would be that there be a circuit breaker involved in terms of the minimum Industrial Cost Recovery bill that would have to be paid. I would say it ought to be between \$2,000 and \$5,000 a year, and if this is--this could be further modified by giving perhaps the city the option, make the regulations so that no bill less than \$2,000 a year would have to be rendered and giving the city the option of making it, say, between \$2,100 and \$5,000, make it at the city's option,

and then perhaps over \$5,000 a year, or some other figure, it might be mandatory.

I think this would be fully in accordance with the review of regulations that EPA is trying to implement and which was published in their quarterly report on October 12, saying they are trying to give flexibility to their regulations and put umbrellas over situations rather than put a mandatory regulation. I think this type of approach would accomplish what EPA says they are trying to do with or has indicated that they are doing with all of their regulations, and would recommend it to your consideration. Thank you.

MR. BROWN: Thank you.

Just for your information, EPA has recently changed the regulation, exempting anybody under 25,000 gallons per day, sanitary sewage, which would tend to mean that the community would have to collect a rather sizeable portion or sizeable dollar amount before they are going to bill ICR.

But just as an aside, a lot of communities, even though it wasn't strictly legal, have gone ahead and instituted some other kind of exemption in the past. For instance, they have set a floor, say, 5,000 or 10,000 gallons per day before they will bill somebody, ICR, or the ICR bill must be \$25, \$50 or \$100 before they will bill it. This is a fairly common

situation, and a lot of communities have already extralegally, I guess, instituted it.

MR. PAI: I was just informed that copies of the summary we are talking about here are now available at the registration desk. Whoever wants a copy may help themselves to a copy there.

The next gentleman is George Milligan. I

MR. MILLIGAN: I will pass at this time.

MR. PAI: Now, the floor is open to whoever chooses to make a statement, please just come forward. It is not limited only to comments and suggestions. Any questions you want to ask or things you want to discuss we will be happy to hear them.

MR. ROBERTSON: I would like to ask a question, I guess, to the consultants that did the study. It appears that many of the comments or complaints appear to be not related to ICR, but more related to the additional cost of beyond what they paid five years ago, like they are complaining more about secondary treatment than they are about Industrial Cost Recovery. Was that your findings on your national survey?

MR. DONAHUE: Yes. A lot of industries are complaining. They are complaining about the total cost of sewage. There are a couple things you have to consider. Most everybody is upgrading to secondary treatment who didn't have secondary

treatment before. This means you are going to spend more on local debt service and more for operating a sewage treatment plant, once you build it.

The other thing industries particularly are seeing the impact of, and Mr. Kirk alluded to it before, the requirement for proportionality, a lot of places used to give industries-- not just industry, but anybody, a declining block rate. So industry is feeling the double barreled impact of upgrading the level of treatment and elimination of declining block rates.

So even though a city may not be spending a whole lot more to operate sewage treatment than it did before, doing away with declining block rates makes industries really notice the increase in sewage costs.

Somebody must have questions or comments.

MR. PAI: Yes, sir.

MR. MILLS: One more question. I will direct this to EPA people, and Coopers & Lybrand. A community sets up an ICR program. You gentlemen from Coopers & Lybrand said some communities are already taking exceptions already, making allowances. Are EPA auditors when they come down, are they going to have hard and fast guidelines and take communities to task for the ICR program or are they going to be instructed to allow for variances that the community built into their own

ICR program?

The auditors, when they come down, if they allow or don't allow, that is two different worlds two different ball games.

MR. DONAHUE: EPA auditors, when they are looking -- you are talking about a couple things, okay? When you have the User Charge system or in this case Industrial Cost Recovery system reviewed and approved by EPA, they are doing it before you actually implement the thing. You tell them how you are going to charge people and how you are going to send out bills. Their auditors, when they go out looking at our construction grant, and allowable costs, and nonallowable costs, may look at your ICR system as well. But they are not going to pay as much attention to your ICR system and how you send out bills as they are to how you charge your construction grant.

Legally, you are obligated to send an ICR bill to anybody, no matter how small the amount. The likelihood of EPA spending a lot of time to find out if you are doing that is not as great as the likelihood of them spending a lot of time to audit the cost charge of your construction grant.

MR. ROBERTSON: I think I could give him some relevant information for Region VII. We have recently been concerned over the lack of checks coming into the office. We have set up

the procedures for doing the auditing that you are talking about, but due to the lack of manpower we have not been able to implement.

So the municipalities may be doing some alleged inappropriate activities. There is a mechanism set up to investigate, but as yet we have not done that.

MR. PAI: Thank you.

Identify yourself.

MR. RESNICK: My name is Jim Resnick, I am the Wastewater Engineer for the City of Davenport, Iowa. We have already billed and collected and sent in one year's Industrial Cost Recovery. We have billed for a second, It will be paid here next year. Two years and eight months ago we submitted an ordinance to Kansas City and that is the second reason I am here today. There are two sections that have^a been continuing^{dialogue} between our city and this region, and the one that is still left is the Industrial Cost Recovery formulation. And the question that was just asked was super. I am still here to defend my two years and eight months status quo, with the third person who has assumed the job since I have been dealing with this. Everybody that I have dealt with has been very sincere, in what they proposed. They have moved on to other pastures, and I am down here again to go over two years and eight months.

It is not just frustrating. It has a certain stark reality because about a month ago we received a letter that said because your User Charge and Industrial Cost Recovery system has not been approved, you are not going to get any more of the grant money you have got coming.

And so even though it has taken two years and eight months to get to this point, no delays on my part, and I can prove that, I am down here because of the urgency of the letter from last month.

Now, we think we have not only tried to interpret the law to its letter, but in its spirit. Every industry in our community has worked with us in every detail, and has not voiced, that I know of, any complaints to the state or to the federal levels, and they have ranged anywhere from 10 to 20 percent of the annual User Charge collections. And it does depend on flow and charge. Everything is there, and it is all a case of knowing what your values are going to be, based on what your federal grants are, so you can calculate them ahead of time as we did, and they are coming out as we suspected. None of this is the problem with us.

The problem is a matter of interpretation of your own rules and regulations, as they relate back to individual communities. And as a result apparently, as best as I have

been able to get information, and I have been to a lot of meetings, whether they have been Water Pollution Control Federation meetings or meetings like this, and I am still getting what I am getting today, that is there is no degree of uniformity in the interpretation, even in this region or nationally. That is a bitter pill. It also results in not having an ordinance that has been okayed after two years and eight months.

Now, I noticed the list that came out of the number of communities in our region that have had ordinances that were submitted and have been approved. I noticed two things. One, most of them were small communities, assuming apparently ICR was no problem or a minor one, and two, almost all of them were in Missouri. I can only assume that ready access to regional headquarters plays a pretty good role in getting that job done. That is not right.

This is my second trip this year, and it isn't--we don't mind making the trip--I do, I don't like this travel, I am talking about the city--if we can only get it done. But I left Kansas City several months ago in the spring, thinking that all was right with the world and I submitted my amendments as I understood them from the meeting and back it came later again saying, no, and here I am today.

I don't know what the problems are out here. You talk case histories all day long, and have every person here and not here, and an individual story, but those are the things I have noticed, that access to headquarters, the size of the community all seem to have played a role, more in approbations that have been given than anything else. I don't doubt the sincerity across the table from me, and I don't think anybody has doubted our sincerity. What I would like to see is, why don't we let some of this stuff work first, and then see what happens. That is not what is going on. We are making judgments before they happen. Sometimes you can do that. Here is a case where I suggest because of the myriad number of problems we have gotten, with a problem that really, as has been indicated monetarily at least, is not that big, has been expanded beyond all reason.

I am glad you had this meeting today, and I hope I can get my business done right, too.

MR. PAI: Certainly we hear you this time,

Is there any other statement from the floor?

MR. NIELSON: Did I understand you to say that the estimated return from all of this Industrial Cost Recovery would only be a half-billion a year?

MR. DONAHUE: Half-billion dollars in total. When Public Law 92-500 was enacted back in 1972, if you read some of the legislative history in testimony that was taken, some people on

the Public Works Committee staff, estimated \$4.5 to 7 billion would be recovered out of the original \$18 billion worth of grants that were to be awarded. Based on data we have collected from 241 communities, you can scale that up to a national basis, grants that were expected to be awarded. It appears that only \$1 billion to \$2 billion in the total would be collected which half of that, it is one to two billion over a 30-year period, meaning anywhere from a few billion dollars a year up.

It doesn't look like it is going to be a whole lot of money falling back to the Federal Treasury or local government.

MR. NIELSON: That is really amazing, isn't it? All this hassle for that much money.

MR. DONAHUE: You will find a few communities that very strongly support ICR. I admit there aren't very many of them, but there are a couple, particularly if you have a small town, one industry, I can think of an example in Massachusetts, where there is a paper mill, that uses 95 percent of capacity in the sewage treatment plant. There are only 300 people in town, and the industrial paper plant operates ^{the} sewage treatment plant for the city for a dollar a year, coincidentally provides services to the residences of the community. People on that town council, wrote a very forceful letter to their two Senators and their Representatives encouraging EPA to recommend ICR be maintained

because since the industry--the industry is not complaining about ICR, because they looked at it as an interest-free loan for a 30-year period to build their own sewage treatment plant, and the town is getting 10 percent off the top of the annual ICR collection, and they are using it to significantly reduce their property taxes. In their case, it is a significant factor. In most cases it is not. You are not going to find very many communities saying that.

MR. PAI: Would you identify yourself.

MR. NIELSON: W.C. Nielson.

MR. PAI: Thank you.

MR. FREDERICK: My name is Bob Frederick, I am with the Howard R. Green Company, Consulting Engineers, Cedar Rapids, Iowa. I have been listening, and putting together some notes here. I will talk from basically our Cedar Rapids water pollution control facilities, which we are designing and will start the operation in June of next year.

It is one of the major treatment facilities in the Region VII construction grants program, over \$70 million total, with \$50 million worth of grant monies.

One thing as a little background here, where you have been complaining about Industrial Cost Recovery, but we had a major complaint way back about five years ago when Congress

and EPA jointly arbitrarily implemented a secondary treatment. Here again there is no rationale besides that, except trying to make everybody treat it the same. There is no cost benefit to that rationale at all. Here again we had a lot of industries in Cedar Rapids, a lot of industries and communities throughout the country were arbitrarily charging money to go into secondary treatment programs.

As we looked throughout our Cedar Rapids project, and right now we are in the final throes of developing our Industrial Cost Recovery and our User Charges and our local financing costs, we have a good handle on what is causing the major industries in the City of Cedar Rapids to foresee in their next year's budget. When we talked about this 25,000 gallon a day elimination, anybody below that thing, for the City of Cedar Rapids as an example, anybody with 25,000 gallons day which we would call typical sanitary domestic, their charges would be \$5,200 a year for ICR. Anybody that is 25,001 pays \$5,200 a year. Anybody that is 24,999 pays nothing.

There is one recommendation I would like to see. If we are talking about this exemption, theoretically we should subtract this from anybody above that. Why arbitrarily pick 25,000, and let those below off, and the people one gallon above pay the other number? If we are going to exempt, let's

take the 25,000 across the board and anybody larger,

We are talking overall for the City of Cedar Rapids, User Charges coming into play. If we add up the User Charge and local capital financing, our rates for standard typical domestic will be 34 cents per hundred cubic feet. Additional charge ICR is five cents per hundred cubic feet. You can take a ratio there, it looks like it is roughly a little over 16 or 17 percent would be additional charge for ICR. We have got in addition to these other than domestic commercial users, as we shall classify them, five major industries in the City of Cedar Rapids, which contributes on a proportional basis over design roughly 40 plus percent.

Talking ICR with them, we are anticipating their repay every year will be \$550,000 a year or over a 30-year period, we are talking over \$16 million, of which \$8 million would go to Uncle Sam, which makes up quite a majority of the half or \$500 million you are talking about in your total anticipated revenue. So Cedar Rapids is one of the major suppliers of revenue funds to the Treasury.

We have one major industry in particular which is a wet processor, which is a meat packer, which, as you all know, is a marginal operation. We have talked their rate--their rate increases talking about four or five years before we increased our operational expenses, probably around \$150,000 a year. Now,

they are paying roughly \$600,000 a year, which is strictly O&M to operate a high degree secondary treatment plant.

We are talking next year starting up of charging them \$1,500,000 a year; breaking this down, it looks like it will be \$950,000 for O&M, which is giving the city a higher degree of treatment than we are doing right now, because we have tertiary requirements. They will be paying roughly \$350,000 capital cost back to the city for their local financing, and will be paying over \$200,000 a year ICR cost.

So it gives you the relative aspect of what we are charging one major industry.

I guess as an overall recommendation, if I had to recommend what I would say about the ICR program, I would say abolish it.

For what reasons?

One, I think it is double taxation. No matter what you say, industry does pay taxes.

The implementation program is quite difficult to do.

Secondly, as I think we all know, we have all dealt with different regions of EPA, it is arbitrary. We are dealing with personnel. We are dealing with ten different regions throughout the country. And there is a manpower problem. It is

a subjective interpretation of each regulation. Nobody can tell me--you can go to ten different regions and you get different answers on your ICR program. They will change. Even within the region, as Mr. Resnick showed, even a region interpretation will change.

If I had a choice, I would recommend going flat rate across the nation in implementation. I think this can be done easily enough, taking all total dollars and pounds and flow treated, divide it up and get a rate. At least it would be a flat rate and everybody would know what it would be, now and forever, there would be no favoritism by anybody, no judgments made by any region or any bending of the rules by local municipalities. Thank you very much.

MR. PAI: Very good statement.

Any other statements from the floor?

MR. SNEAD: My name is Willis Snead. During the presentation by Coopers & Lybrand, you indicated a certain number of plants had been closed, I believe due to Industrial Cost Recovery; and I believe a thousand employees put out of work. Would you explain briefly to us how you made the determination as to these plants being closed due to Industrial Cost Recovery and determine the number of workers put out of employment?

MR. DONAHUE: Everywhere we went we asked people from the local Chamber of Commerce, local labor unions if we could talk to them, and the city administration to identify any industrial plants that had closed, even allegedly or even maybe possibly because of sewer charges. We would try to track them down and talk to people. We have maybe a half-dozen specific cases, a couple food processors.

In every case, when we talked to people, they would say they would give us a letter from their company, public information people or whoever, some spokesman, copies of press clippings from newspapers, announcing the plant's closing because of sewer costs and things like that.

In many cases they blame sewer cost, not ICR, but sewage cost. In every case we wrote to those people and asked specific permission from them to cite that plant closing, take a copy of their letter, press clippings, whatever, and include them as an appendix to our final report to Congress. And in every case, they wrote back very politely and said, you of course are welcome to do this, this is all public information; things have been in the newspapers and whatever; however, we would like to point out there were other factors that affected our decision to close the plant.

We are not saying plants have not closed, but we can't find any plant to close solely because of ICR costs.

So it is a matter of other matters affecting things as well. Many times local industries use sewage costs or ICR as something to blame it on. They don't want to take the wrath of local governments.

MR. SNEAD: Thank you.

MR. ROBERTSON: I was curious, were revenue estimates from the average daily loading from industries or of peak type of number?

MR. DONAHUE: The revenue estimates were based on whatever local governments had used to collect ICR, scaling up their projections to full implementation, and different cities used different bases for calculating ICR charges, whether they used peak or average daily or annual or whatever.

MR. SALLWASSER: George Sallwasser. I would like to recount for you some specific instance so that you might develop some documentation with regard to the effect of ICR on regionalization. This happened to be in Region V in the East St. Louis regional area. There is a regional plant being implemented, and the National City, which is essentially an industrial community, was asked to participate in the sewer system evaluation survey. They have indicated they are not going to do so because among other factors, if they go into it, they would get the advantage of a 75 percent

grant, but they said because it would be subject to Industrial Cost Recovery, that is not really an advantage.

I am relating this merely to you to document an instance where ICR affected the industry's decision to participate in one facet of the regionalization plan.

MR. DONAHUE: We appreciate that. I guess really that is the kind of situation EPA is trying to foster. As John says, EPA wants industry to realize up front what they are getting into. It is really a double-edged sword, when industry says, I would like two million extra gallons of capacity for that plant expansion in five years. It is really a double-edged sword. I think EPA would really like to get industry to think very precisely and very carefully, you know, what they are getting out of a publicly funded sewer system versus what it's costing them. If it is cheaper for industry to treat its own sewage over the long run, that is what industry is going to do, whether public sewer systems are built or not.

MR. WASSERMAN: If I may respond to that, that is very good except sometimes you are too far down the line. For instance, an industry, municipality present in the room, have agreed that the industry will locate, but they have no idea what the User Charge is going to be, because the

regional plan is now under construction. And there is no way for that industry to have factored into their decision what their sewage treatment charges will be because the 201 Study is not complete, so there is no opportunity. They have already made a commitment. This is equally true of many industries. They made a commitment under Public Law 84-660, and they are now into a regional plan. They no longer have any control.

As you pointed out, they are now landlocked and they can't get out of the regional plan, where maybe a few years ago a decision to expand or to relocate could have been made.

It is always subject to review.

The further into it you get--it is fine to say industry should have the information to make the decision, but it may be five years late when they get it, and that may not be their fault. It may be the fault of the overall program, but that is a real problem for industry.

MR. DONAHUE: Thank you very much.

MR. NIELSON: My name is W.C. Nielson. I do not have a prepared statement. I operate a cheese plant in a town of 6,500 people. WE employ an average of 45 people, and we are not a large enough company for me to be an expert in energy, sewer, et cetera. Neither can we afford to hire consultants

for all of these areas of government which we must be experts in. Approximately half of what we make goes for federal income tax.

In our industry, most of our competition is cooperatives who pay very little income tax. We compete for raw material with these plants, both in small and large communities. We do not have the privilege of pricing our products. The government sets a floor on our raw material costs; we sell on the market, of which we have very little or no input. Five years ago or four years ago, we had to sign a letter of intent to go into the municipal sewage plant. The information that we submitted in that letter of intent was submitted by the engineering firm that the City of Independence had hired. We found out later that their figures were very much on the high side. The estimated cost of the plant at that time was about \$2.5 million. Now it is up to \$6.2 million.

The engineering firm tells us that all the delay is due to getting approval by I believe the D.E.Q., which is part of EPA.

At the initial cost, our initial cost was \$65,000 a year--these are rough figures--we at that time figured that by paying attention to detail we could cut both our flow and

BOD load in half. So in my mind that ends up with about \$50,000 a year, multiplied by approximately three times-- we are in for \$90,000 a year. We find that very hard to take. We think that if we lived in a larger town--and I have got the figures from Cedar Rapids here--that our cost would be less.

When I came to the meeting, I didn't realize there was a difference between UC and ICR. In fact, I didn't even know what POTW was. In our community the engineers figure that it is easier to treat infiltration by building a larger plant than to seal up the sewer line. As I understand, infiltration is water seepage under the system.

Presently our sewage people tell us we are running a million gallons a day, sometimes over, sometimes under. Of that we have put in a flow meter and we are running from 40,000 to 82,000. We find the situation we're in is that we really don't know what our costs are going to be. That makes it very difficult for us to plan ahead.

Our industry unfortunately is a high volume user. We have other problems. We are high energy users.

We don't know where to go. We would like to stick our neck out and put in some energy efficient equipment. We don't know whether we can stay in business. We don't know

what our costs are going to be.

I understand now they are going to let the bid in December. What is going to come out we don't know. We really don't know what our share of the cost is going to be.

It more or less leaves us up in the air as far as any planning is concerned.

Our community, as I said before, is 6,500, somewhere in that area. Another uniqueness about our industry I believe is the products that we manufacture are more or less taken from the soil. So the dairy farmers that sell milk to us are creating wealth for America, and we only process those and try to find employment for ourselves as well as the people that are working for us.

I think one other point that I would like to mention is that a large cheese factory in our area, in Ryan, Iowa--I mention this because it is a matter of public record--they were associated with Milk Producers, Incorporated. Ryan has a population of under a thousand people. They have a new cheese factory, I would say not more than five years, they have modern equipment in it and as far as I know, it is a going concern. I have no part in management of that plant. They just closed up the plant and moved out of there, and

the information that the industry had and the papers had was that that was the sole reason for their closing. I have no documentation to back up that statement.

I think in my statement you must realize that we are not an H.J. Heinz Company. We are just a small industry, but I have a very strong feeling that goes something like this: America is made up of small companies like ours.

I thank you.

MR. DONAHUE: Thank you very much.

MR. PAI: You don't know what your User Charge costs are, industrial costs? If the Industrial Cost Recovery was indeed abolished, would that help the situation a lot?

MR. NIELSON: I think what we would like to know is how much it is going to cost to treat it. We know how much we are putting down. We have some control over this, but we don't know how much it is going to cost.

MR. PAI: The question I am asking is do you more or less know how much you are paying for User Charge now or would abolishing ICR help your situation?

MR. NIELSON: I can't honestly answer.

MR. PAI: Keep in touch with us. One of the purposes of course was to determine whether abolishing ICR or improving ICR would help companies like yours. Keep

in touch with us. Thank you.

MR. ROBERTSON: Mr. Nielson brought up an issue that is fairly common in small communities, and that is the letter of intent requires, or EPA requires a letter of intent from industry which has essentially asked him to say I will pay my fair share, however you determine that.

To make a business decision at the industry's level, he needs to know what his costs are going to be. However, we have heard complaints about the number of ways you can allocate the costs for Industrial Cost Recovery, because there are various parameters assigned, and I haven't heard any of the industries or representatives or municipalities talking of the ability to come together and reach a decision during the planning state of what the cost recovery may be.

Can industry commit themselves to staying in the system for 20 years?

Our experience has been that most industries don't have the ability to project what their waste load will be much more than two or three years into the future. In this region the vast majority of our industries are Mr. Nielson's type of arrangement. We don't have a heavy industrialized region.

MR. FREDERICK: As you guys talk, you bring up more ideas that we have had in past history in Cedar Rapids. We started this project back in 1970. That is under old 660. We were ready to submit plans and receive our final Step 3 grant. That is when President Nixon impounded the money, so our industry sat on their hands. By the time we got the grant, Industrial Cost Recovery was a new thing.

Through the new rules they were hit with Industrial Cost Recovery which they did not know. We gave them those numbers three years ago. All of a sudden we got hit with tertiary treatment. It is hard to tell an industry when a project drags on and EPA review and rule changes, to tell an industry small or large what their costs are going to be.

With any project now, it is probably dragged out at least five or six years. It is hard for us as consultants to tell a client or industry what their costs are going to be. We can tell them, we bring them in every six months and tell them what new costs are going to be. That is just about as hard, telling them we have 20 percent increase every six months. That is a lot of jobs we have seen, with rule changes, and the period of time between initial inception, when we talk to a letter of intention, to when the concrete is poured. You have a lot of inflation and rule changes. Even though we try to keep them abreast, they are still hesitant to sign up.

We went to our industry and told them we want 20-year Predictions. That is a long time to look down the pike. We wanted a plant that would last 20 years. With EPA saying only 5 or 6 percent can be allocated for unknown users, that is not very much room for growth. You have to tie industry down. It is a hard decision for them to make.

When you tie them down, they have to pay for it for the next 20 years.

It is putting a lot of burden on industry for unforeseen costs, and for total commitment for 20 years.

Now that you are not letting communities design for additional capacity, you are making industry really toe the line and commit for a larger share than they would want, just to guarantee they are going to have that capacity around for the next 20 years. You are putting an additional burden of cost on them right now, buying sufficient capacity to have that available for 20 years, let alone adding ICR.

Thank you.

MR. PAI: Any time you have excess capacity, the bigger the future growth potential is. But those people who are paying for the bill at this time are the ones who have a hard time trying to allow that capacity to be used by maybe his competitors in the future.

On this ICR study we were not addressing the issue whether or how big the growth will be in the future. That is another segment of EPA that will do that. But we have to be concerned that if we did have that capacity for future users, the impact to existing users, which may include residential users as well as existing industrial users. So that is the key thing we will have to face; in other words, to provide for the future growth. How is paying for it now, that is the question. That is something you should think about.

Does anybody have any more comments?

MR. ROBERTSON: During your study, did you find any local communities with local Industrial Cost Recovery provisions?

MR. BROWN: No.

For those of you that have reserved the right to make a statement or change your mind or have something to say in future, our Coopers & Lybrand address in Washington is 1800 M Street, Northwest, Washington, D.C., and the zip code is 20036. Or the telephone number there is Area Code 202, 223-1700.

MR. PAI: Since there are no further statements at this time, the meeting will recess for an hour and we will be back here around 1:30.

MR. MILLS: Is there going to be something substantive after lunch? A number of us have planes to catch and have to head back to work and believe it or not, there is another EPA meeting over in St. Louis.

MR. DONAHUE: After lunch we are looking, if people have specific questions or problems or statements, or complaints--we are not going to unleash any more findings or conclusions--we will answer people's concerns and if we can't, we will try to point them to somebody who can. We are not talking about making any recommendations or anything revolutionary.

MR. PAI: We will have a recess until 1:30 this afternoon.

(Whereupon, at 12:30 p.m. the meeting was recessed, to be reconvened at 1:30 p.m. the same day.)

AFTERNOON SESSION

MR. PAI: Good afternoon, ladies and gentlemen.

The meeting is officially started again. Of course that does not limit your discussion. However, we will play by ear and see how many new participants for this afternoon's session there are. For whatever discussion you have, you can continue.

MR. REAM: We have the Federal Register here of Wednesday, September 27--my name is Rick REAM. I am Chief of Wastewater Pollution Control, City of St. Joseph, Missouri, and concerning the Federal Register, September 27, they redefined Industrial Cost Recovery, and what an industrial user is. Would you clarify that for us.

MR. PAI: That means simply that the old industrial user definitions will stay except we were authorized to exempt those who discharge less than 25,000 gallons effluent a day. In other words, this just makes it much fewer users who will be included as industrial users now.

MR. REAM: We understand that, as of April 26--

MR. PAI: That is the interim. This is final.

MR. DONAHUE: The regulations that came out in April exempted people who had 25,000 gallons per day or less of discharge from ICR. But under the definition of industry that was in effect before that, only certain kinds of

industry had to pay ICR, and those were people who fell in certain divisions of the Standard Industrial Classification Code that the Commerce Department and ONS put out, things like manufacturing, mining, whatever the rest of them were.

But the definition that was used in April in the interim regulations that came out said that it was no longer just those kinds of industries that had to pay ICR. Everybody who was a nongovernmental user of a sewer system and had more than 25,000 gallons a day of discharge would now be considered an industry, so it did remove small users but broadened the definition of industry.

What the definition of September 27 did was go back to the first definition and said only certain kinds of people would be considered industry, only those in those divisions of the Standard Industrial Classification Code that the Commerce Department uses. Even within that narrow definition the April regulations set forth, even within that narrow band of industries, people with 25,000 gallons per day or less would not have to pay ICR. It significantly reduced the number of people who have to pay ICR.

For example, we are working on an Industrial Cost Recovery system for the City of Washington, D.C. Under the April regulations, there were two homes for the elderly and seven hospitals that were nonprofit, but privately owned, not

publicly owned, and they had discharges of more than 25,000 gallons per day. Under the April regulations they would have had to pay ICR. Under the new definition, the final definition, September regulations, they don't fall in any of those five categories of industry, so they don't have to pay ICR.

MR. REAM: What we were instructed to take non-governmental out of our sewer--out of our ICR program.

MR. DONAHUE: Right.

MR. REAM: Does this mean we now put it back in?

MR. DONAHUE: No.

MR. REAM: Define exactly what is nongovernmental.

MR. DONAHUE: You don't have to worry about nongovernmental. The only thing you have to worry about is those industries that fall in those categories, and somewhere in the regional office of EPA or public library you should be able to get a table of the Standard Industrial Classification Code.

MR. REAM: We have that.

MR. DONAHUE: What you do is pick those customers that fall in those five categories and they are the ones potentially liable to pay ICR. You have to determine which ones of those discharge less than 25,000 gallons per day of sanitary sewage. Those people are excluded from ICR.

MR. REAM: Your example confused me a little bit. It doesn't matter if the hospital is privately owned?

MR. DONAHUE: It doesn't matter. They are no longer an industry.

MR. REAM: This is the only essential difference that we have?

MR. DONAHUE: Yes, it is the only difference.

MR. HOWARD: I might point out, definition of domestic waste depends on the particular municipality. It can vary from town to town.

MR. ROBERTSON: I also believe in your situation in St. Joseph, you have adopted your ordinance and you have them approved with a definition which isn't applicable any longer. That may be creating a real problem for you.

MR. REAM: Tentatively approved, provided we take that out--

MR. DONAHUE: I don't think anybody in your city council will complain about reducing the number of people who have to pay ICR.

MR. REAM: No, I don't think anyone will complain about that.

MR. DONAHUE: Are there any other questions or comments or whatever from anybody? That is why we are here.

MR. WUTTKE: My name is Richard Wuttke. I am with the milk business in northeast Iowa. In reference to possibly the last item or question that was on the floor, before we took a lunch break, a 20-year plan or 20-year planning stage for wastewater treatment, I would like to point out that in Fredericksburg, Iowa, if it sounds like a metropolitan area, believe me it is not. We have a population of 1,000 people. We built a wastewater treatment plant 16 years ago, and it was planned at the time to handle a population of 5,000 people. Currently we are in the process of expanding that same wastewater plant to over double its size in order to handle the facilities there, and our contribution as the industry has increased less than 10 percent.

So a 20-year plan or a plant that was actually built approximately five times too large 16 years ago is now half as big as it needs to be. Yet part of the problem, as was stated here this morning, is that 68 percent of the plants are operating larger than necessary.

Now somewhere along the line the criteria have changed drastically in 16 years, which I would like to point out, I don't feel is part of industry or the municipality's problem. I think it has been caused by the federal guidelines and state guidelines, I might add.

Another thing I would like to point out here, in our particular case, the State of Iowa, it has a great deal of difference on outlet streams from a plant. We are very unfortunate to be on a small stream that feeds a conservation area by the state, and therefore they are asking that our discharge be pure, more pure than the well water. This takes a lot of money to maintain this.

MR. DONAHUE: In that case, what is the possibility of building a holding pond or lagoon, like pumping your discharge in on a 24-hour basis, rather than--

MR. WUTTKE: I have a booklet in my briefcase. I have \$20,000 invested in for that purpose, hopefully to be able to incorporate with the municipality. We have failed to be able to reach agreement at this point. But we are both working on this point and this is our plan, but it still requires investment on both of our parts of a million dollars. Our plan is requiring investment of a million dollars. Their plan at this point requires investment of \$1,800,000. They are asking us as an industry to contribute or to stand 73 percent of this cost.

Now we in a town of a thousand people employ 65 people. If we are required to invest 73 percent of \$1,800,000, which is approximately \$1,400,000 or \$1,500,000, that will build a lot of brick and mortar. Region VII, as I understand,

represents Iowa, Missouri, Kansas and Nebraska; and this is down home country people in small towns. We are killing them. If we move, we are going to kill the town.

Mr. Nielson gave testimony here this morning, and before we got out of this room, he was approached by a metropolitan area to move his plant, and he would be given a real good rate.

Now, is this justice, people? I guess this is what I am asking. Is this fair treatment?

MR. DONAHUE: It sounds like local politics. Without prejudicing EPA or anything that they have done, looked at have you / land application--

MR. WUTTKE: Yes, we have looked at everything. We looked at irrigation. I have a booklet here that has five alternatives, and irrigation is one of them.

MR. HOWARD: Which is the most cost effective alternative?

MR. WUTTKE: The lagoon, adding a lagoon system to the current plant.

MR. HOWARD: You will still have continuous discharge then?

MR. WUTTKE: Yes. Now?

MR. HOWARD: After the revision.

MR. WUTTKE: Yes.

MR. ROBERTSON: I wonder if Mr. Kirk might be able to enlighten us a little bit. In his remarks earlier he discussed the impacts of the Heinz industries on the changes essentially of their water quality criteria, that they had to treat. What was the impact on your facilities, considering whether it was ICR and POTW, or whether they went on their own? Were there any sizeable cost differences between staying in the public system and paying ICR and constructing your own treatment plant?

MR. KIRK: Donald Kirk. I can comment on that. Well, yes, as a matter of fact, the three instances that I gave, that I used in my statement, in all three of those instances we took at least a cursory look at the possibility of going out on our own for some kinds of self-treatment and the procedure used in each of the three cases was some sort of irrigation arrangement. We did some very preliminary figuring and came to the conclusion that something as sophisticated as an area lagoon followed by settling or activated sludge would not be cost effective for us to do ourselves under virtually any circumstances. So we looked at some kinds of spray irrigation as an alternative. In our comparisons we found that adding up the total 20- or 25-year cost of the city's capital; that is, the local

share plus ICR, and superimposing on that the estimated User Charges, which the city had furnished us at that time, over the 20- or 25-year, whatever period of time we choose to make the comparison, and then we compared that against capitalizing the cost of a relatively permanent type spray field for ourselves, along with the projected cost of operating for that total term, and we did a--what is it called--a net present value analysis, I believe--Coopers & Lybrand will understand this. And I frankly don't very well. The upshot was that two were very nearly equal, and that assumed that we would have to capitalize immediately the cost of our own treatment system.

Were industrial bonds available to us--and we did not make the assumption they were--in some cases they may have been--could we have gotten industrial bond financing, which would have put financing of our system more on a par with the type of financing that POTW could have, it may have looked as though going by ourselves would have been the better alternative.

There is another thing that has to be taken into account on this in every case. Two of these were in a relatively cold climate. We thought the idea of operating a winter spray system was not a good idea. We only looked

for spray irrigation for our in ^{summer} season/high discharge rate. We assumed we would stay with the city system and discharge relatively a minimal amount during the other eight or nine months of the year.

The only situation where the climate would have possibly been beneficial for all year-round irrigation, because of temperatures, we were told by the state we could not have a discharge in that area. Therefore the spray field would have had to have been a no discharge installation, and the rainfall is not high in the areas as California, Central Valley; the rainfall is not high in winter, but there are a lot of days of relatively low temperatures, which would have required large storage for us to run all winter and therefore this tended to deflate the cost of the spray field assuming we would break all of our ties with the city and go into our own treatment system.

I might say something else, however. These cost comparisons were made based on the city's consultants' analysis of what it would cost us to go into their system, at a period some months before the time in which we had to sign on the dotted line and make a commitment. That doesn't really have to be said because obviously we wouldn't be making comparisons had we already made a commitment.

I would like to point out that these costs, I think in virtually every case, have turned out to be grossly underestimated. They have been underestimated to a much greater degree than normal inflationary pressures would dictate. I will give you just a few figures off the top of my head. Please don't regard these as exact. These come from the worst situation which we have encountered, which doesn't happen to be in each region.

At the time in which we wrote a letter of intent and made more or less a verbal commitment to the city to go ahead and proceed with the final design of the system that we intended to participate, we were given a total cost of approximately \$250,000 a year, as a likely sewer bill at the time the plant would be completed, which would have been probably 2-1/2 or 3 years hence from that time. This was already a raise from some \$40,000 we were currently paying in sewer bills. We made our own analysis, and at that time we decided to go ahead and proceed with the project. It was still better than branching out on our own.

When it came time to sign the final agreement, that number had approximately doubled. I believe it was about \$460,000 a year, as compared to something like

\$250,000 that we were originally expecting. This was partly bad estimating on the part of the engineers, and unfortunately this happened at a time when inflationary pressures were ridiculous in certain types of materials, Procurement, labor areas; and the engineers were in general doing a bad job. I think it was also caused in part by additional regulatory pressures that were put on the plant when it came to final approval. I think there were various standby facilities and additional things that had to be added in order to satisfy either the state or federal grant regulations at the time.

Nevertheless, we still signed and went ahead with it. Our first bill I believe came in at about \$520,000; our second year's figure I believe came in at approximately \$610,000, and we have just been given the revenue plan for fiscal year which started July 1. We are still working on it, and it is \$820,000. These all assume that ICR would continue to be collected. They did observe the moratorium, so actual dollars will not be that high. We are now in the process of arguing about \$820,000 because it involved some reallocation of costs which we disagreed with.

So that shows you that had we known what was going to happen now, we would not have made that decision in the first place to stay in the municipal system.

In this particular system, we are even seriously considering the possibility even of pulling out now, having committed ourselves to a total local share of the project. It might still be cheaper to back out and build our own system. It is a possibility. I think it is unlikely but it is getting to the point where it is going to have to be reconsidered.

MR. PAI: Did you increase your flow in the meantime? Your flow is the same?

MR. KIRK: Our flow is the same. I can tell you something, that is a different situation, and I will tell you something about that that illustrates something else that was brought up earlier today. That was inability of industry to plan for long range. This is an interesting story. The plant was designed for a hydraulic load, BOD load and suspended solids load. The hydraulic load has been very constant and has gone as predicted and there has been no problem with it. The suspended solids load has fluctuated a bit. The BOD load during the first year of operation of the new facility from our industry was exactly double what was projected. At the time we made the projection, we had three or four years' worth of back data. This is daily data and not very many companies have daily data.

We have made several internal surveys to show this increase was entirely due to a change in characteristics of the incoming crop. There was nothing whatsoever we could have done about that BOD nor could we have in any way foreseen what would have happened. And that BOD load went on for two years, and during that time the city modified a \$13 million plant to accommodate an almost doubling of BOD during three months of the year. They used a different engineer, used some input from us, which cost them exactly \$400,000, of which they are going to get \$100,000 grant from different sources than EPA. That tells us something about it.

If one can double the BOD load during our seasonal bulge and only have to cost just something less than 5 percent in addition to the total cost of the plant, that points out two things: one, it points out we don't have very much ability to predict what our loads are going to be. We just do the best we can. The costs are getting to the point where we are afraid to try to reserve ourselves any kind of contingency at all because we just simply can't afford to pay for it any more.

The other point is in direct answer to your question, John, the fact that we did have an overage of BOD has not made a huge amount of difference in the kind of rates we

are paying now. This has not been a major factor.

MR. PAI: You charge the same thing, you would pay more too?

MR. KIRK: Yes, these rates would have gone up considerably regardless.

I might comment on Mr. Robertson's comment this morning that really what I and some of the other speakers are doing is complaining about the high cost of secondary treatment. I don't argue with that at all. I guess what can be said based on this kind of exercise is, yes, we are complaining about the high cost of secondary treatment. We are looking for any way that we can to reduce that high cost of secondary treatment. ICR is just one of several things that could be rolled back to make the burden a little bit easier to bear. I think maybe that will help put the thing in its proper perspective.

MR. DONAHUE: Thank you very much.

MR. PAI: Do you get involved in the planning process, or are you just sitting there waiting for --

MR. KIRK: Let me first explain I came on board with the company about half-way through the planning process for every one of these examples that I gave you, and therefore I might not have performed in behalf of the company as well, perhaps, as I could have otherwise. But my predecessor

in each case was involved with preliminary plans and took the trouble to find out what the design of the facility would be, and what it would be based on; and in many cases he argued with them at considerable length as to whether the type of technology they were going to use was most cost effective or would do the job best, or whatever. I got into all three of these projects at about the time that the preliminary cost estimates were finished and the consultants were about ready to embark upon the final design phase.

I was kept informed of the general type of plant that was going to be built and what the cost estimates would be. I did not try to determine what the exact design would be of the equipment nor did I attempt very much to influence that part of the project.

In at least one situation now, I certainly wish that I had. I was quite astounded on my first walk through the new plant to see some of the sorts of, I would say overkill that had gone on in that plant.

MR. PAI: That is what all industry users would have to do is get themselves more involved in the planning stage and that will save a lot of problems.

MR. KIRK: We were heavily involved in the planning stage and heavily involved in revenue negotiations and we let the piece in the middle go by, that is how to design

the plant.

I find out through my wonderful hindsight that that may have been the place where we could have made the largest influence on what our ultimate costs would be.

MR. PAI: You mean at Step, 2^o rather than Step 1?

MR. KIRK: I am not sure that I am completely clear what your steps are.

MR. BROWN: John is talking about plans and specification stage.

MR. PAI: That is Step 2. Step 3 is construction.

MR. ROBERTSON: If nobody else has any question, maybe I can pick on some people that I know.

I know Harry Griswold is here for the City of Springfield. They have done some substantial investigation on ICR and impacts of their industries on the city. How about giving us some of your experiences down there?

MR. GRISWOLD: Tom, I had planned to take the discussion received here home, and possibly submit some written comments. I didn't make a formal presentation ahead of time because I didn't really know what the Coopers & Lybrand report was going to present to us. But I think it is fair to say that at least in our preliminary estimates, that the costs that we have seen so far to individual industries are not that substantial. But the cost to the City of Springfield

to administer the program is substantial. In fact, under some of the definitions that were being considered, such as for circuit breakers at various levels, the cost to administer the program would have been more than the total receipts that we would have gained from it.

Aside from that, I didn't bring figures with me. I hate to quote from memory.

MR. ROBERTSON: Thank you. I got what I was looking for. You had talked about that earlier.

MR. DUFFIELD: My name is Davy Duffield. I work with Harry. I am a revenue technician. I have had considerable experience in community development work, and also worked with the Department of Natural Resources. In the Department of Community Development, I dealt mostly in grant programs, specifically public works grant programs, designing industrial parks, locating them for communities, and figuring out the cost benefit package to them.

The ICR programs seems to have an algorithm with the Public Works Nonrelocation Act. My question is, if you are familiar with that, does the ICR program actually have much to do with the decision of industry moving from one area to another, either as prevention or as subsidizing it in that respect or are we not looking at a long enough

time frame with that?

MR. BROWN: We haven't been able to identify specific circumstances where an industry has moved from one location to another solely because of ICR. We mentioned this morning a couple reasons. One, ICR just hasn't been in effect that long; and in places that do have approved systems, they either haven't implemented them or they have postponed implementation until after the moratorium.

We really aren't able to identify specific instances of that.

MR. DONAHUE: The other thing we looked for and were not able to find, nobody would specifically cite a plant that they decided not to expand that they had previously planned to expand because of Industrial Cost Recovery. A couple places people decided not to expand plants, but they would not attribute it to Industrial Cost Recovery. They would attribute it to a bunch of things that might include ICR, but never did we find one case where that was the reason for doing it.

MR. DUFFIELD: I think your point about looking at expansion possibilities is very relevant here, since most people do not realize that 80 percent of all new jobs in Missouri, in the years 1974 through 1976, were developed

from expansion and not from relocation. This is an area that people unfamiliar with that particular aspect--

MR. ROBERTSON: I am aware of at least one dairy cheese plant in this region that was located in an Iowa town that signed a letter of intent and a facility was built and then moved out of town because of ICR to a town that did not at that time have a federal grant. They have now been caught up with, and they are threatening to leave town again.

MR. KIRK: I am Donald Kirk again. I would like to respond just briefly to Ed Donahue's comments this morning regarding plant closings. I am sure the same could be said of expansions, moving, et cetera. You pointed out that you haven't been able to trace a closing, say exclusively to ICR, or high sewage charges that come with ICR, and that is certainly perfectly believable. My company was one of the closings which were submitted to Coopers & Lybrand, and they sent us the described letter asking if they could include information. We said sure, fine, go ahead, but remember there were other factors than sewer factors that created its closings.

As he pointed out, apparently all other cases have made the same kind of disclaimer. I would like to point

it is quite possible, if it were not for sewer charges, many of these plants would still be operating. Nevertheless, the jobs are lost.

The other situations had already come to pass, or were at least certainly on the books, and it was known that they were going to come to pass and the industry, at least in our case, we had not made the decision to close the plant down. The thing that triggered the decision was the necessity of signing a 20-year agreement to pay ICR and to pay back the local share of the capital charges. I would like to think that that is a situation where those jobs are no longer there because of sewer rates. It is quite possible those jobs would have disappeared two years later or some ten years or whatever from these other causes or some other pressures anyway, and neither you nor I have a crystal ball to be able to say that.

But I think perhaps you are being a little bit too reluctant to put the blame. As long as you explain the situation, I think it is perfectly all right to say these plants did close right now as a result of sewer charges, even though there were other things. This points out perhaps the healthy industry can perhaps withstand sewer charge, whereas relatively unhealthy industry can't. Sometimes unhealthy industry goes along for years and years, and staggers on its own and never

meets its end until something comes up to polish it off.

In some of these cases it happens to be fewer charges.

MR. DONAHUE: That could very well be the situation you are describing. It is just our training and inclination of accountants never to overstate something. We prefer to understate something than to overstate something. That is why we stated it as we did.

MR. PAI: Have you ever been refused to locate in a new area or expansion because there is no capacity available to you?

MR. KIRK: We haven't run into that situation, John, because I don't think we have pushed relocation--

MR. PAI: Or expansion?

MR. KIRK: To have to come to grips with precisely that at this time. Each time we have looked into an expansion or new plant, we have wound up buying an existing facility which had operated previously probably in some kind of food processing line. So essentially capacity would have already been there.

MR. PAI: My question is, people say we have a tendency the way we try to make plant size more reasonable, have a tendency to stop their industry from expanding or

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coming to town. My question is, has it ever happened to you?

MR. KIRK: I can perhaps answer it for slightly different circumstances. We are located in two or three municipal systems where we have deliberately not bought any excess capacity because we can't afford it. The costs are becoming more and more out of line, and I think we would tend to take the position now that we will not expand at those plants in any kind of product line which has high water useage. We may expand in some things--you see, we have two kinds of operations: one is processing of fresh vegetables, which takes a lot of water, produces a high pollutant. The other is filling materials in cans and bottles, and the only pollutant load one gets from that is daily clean up operation. You could increase your capacity 50 percent, and it won't make much difference.

We could do some expanding in terms of field products, but we would probably tend not to expand in processing of fresh materials in any of those areas. We would probably look somewhere where our sewer rates are more reasonable or start out somewhere else, maybe buy some land and put a spray field in.

MR. PAI: The point is you were not rejected on using additional capacity?

MR. KIRK: No, the one we shut down was the only one we made the mistake of projecting a fairly large future capacity. That was the first one that hit us. We learned our lesson.

MR. PAI: What happened to the sewage treatment plant? What happened to POTW?

MR. KIRK: The real answer is, I don't know. The immediate reaction was, all right, do we need to build this thing or can we fix the old one up and stay with it? They were going to completely forget about the old one, start over, and break ground all over again on a new plot of ground because the inference was there wasn't room to expand where the existing treatment plant was. The existing treatment plant was a fairly good treatment plant. It was probably removing about 85 percent of the BOD. It wasn't just a primary plant. I believe it was a trickling filter system.

MR. PAI: Where was this?

MR. KIRK: Bowling Green, Ohio.

MR. DONAHUE: I think one of the questions John had, have you ever had a situation where a community just refused you capacity to expand, where there was not capacity available or they wouldn't--

MR. KIRK: My answer was no because we haven't really asked that question very often.

MR. DONAHUE: Okay.

MR. KIRK: We have several plants which we would tend not to expand, because of the current cost situation, and where there would be no capacity for us to expand unless we asked them to provide more for us. We would have to give them about a three-year lead to do that, and we are aware of that fact. We have not actually gone into a new community and said can we put a plant there, and had it depend on whether or not they had treatment capacity. We just actually haven't asked that question. We bought up a couple of old facilities, and have gone back into business with them. They were discharging before and capacity was there, and the wastewater load was small anyway. It wasn't particularly relevant. We haven't tried to put a tomato plant in the community and said can you make sewer capacity for us. That hasn't come up yet.

MR. NIELSON: W.C. Nielson. The question I have is on overbuilding a plant. We talked to an engineer that designed our local plant and said it is too big. We really don't know, but we think it is too big. He says at this stage of the game when they are ready to let contracts soon that it would cost more to redesign the plant, cut the flow down, than you would

save because by the time you mess around another year, costs will be up. Is that true?

MR. ROBERTSON: It is an argument often used because AE's design fee is such that it costs you more to design a new plant than it does what you will have in construction cost. It is a very real possibility.

MR. NIELSON: Why does each plant have to be designed separately? Why can't EPA, say, put this plant out there, that is it. They are all the same kind of plants.

MR. BROWN: Like a dress pattern.

MR. ROBERTSON: There are many different size dress patterns.

MR. NIELSON: You can make size 10, 12, 14, 16?

MR. DONAHUE: A couple things that affect the design of the plant, sewage treatment plant. One is, what is coming into the sewage treatment plant, mix of the population. If you have got a heavy industrial population, you are going to find certain things in your sewage. If you have 90 percent residential population, you are going to find something else. That is one thing. You have to design the sewage treatment plant to remove from the sewage those things that are coming in, in different parts of the country, an agricultural community with a tomato packing plant versus a residential community with

a bottling plant. You are going to find different things.

Another thing is, how clean does stuff have to be when you dump it back into a river or stream, the water and quality standard you have to comply with. You have to clean up your discharge from the sewage treatment plant more in some areas than you do in other areas.

MR. NIELSON: If the plant was 100 percent over designed, then the Industrial Cost Recovery--it wouldn't cost twice as much, maybe 70 percent.

MR. DONAHUE: It wouldn't cost you any more. The Industrial Cost Recovery you are paying is only for that portion of the capacity that you are using. Okay?

MR. NIELSON: The capacity run through the plant or capacity capable?

MR. DONAHUE: Design capacity. How much was built for you. If you build a plant of a million gallons and you are using--you are only putting a half million gallons of sewage through the plant, your Industrial Cost Recovery bill is not going to change for your 10,000 gallons, whether the community as a whole puts half a million gallons through the plant or 800,000 gallons. If you are only using 10,000 gallons of capacity, out of a design capacity of a million gallons, and that cost per gallon of capacity, the capital cost, fixed cost,

is there, so your bill isn't going to change.

MR. PAI: The User Charge on local debt service would double.

MR. DONAHUE: That is one thing.

The User Charge would increase. You have a couple kinds of costs. Operating costs might stay the same.

If you divide by the number of gallons that flow through the plant, the rate per gallon would be up, so your bill would be up for operating cost. The bill for Industrial Cost Recovery would stay the same.

MR. NIELSON: If you build one for a million, and it costs you \$2 million, if you build one for \$2 million, it costs you \$4 million. You would have twice as much to pay back.

MR. ROBERTSON: That is not true. It is a geometric type of construction curve. You can construct a million gallons a day plant for so many dollars, and 1-1/2 million gallons a day plant doesn't cost you 1-1/2 times. It may cost you 1-1/3 or 1-1/4 times.

MR. NIELSON: We still have to pay more.

MR. DONAHUE: Obviously if the plant is too big, you are going to pay more than if it were sized appropriately. There is not much you can do about it. Once you build the

thing, somebody has to pay for it. Unfortunately some people in the community are stuck with it.

MR. PAI: Oversizing does not increase your ICR payment. It does increase your local debt service payment. It will increase your User Charge payment, which in many cases far exceeds your ICR payment. The majority of your sewer costs are in User Charge and local debt service. So that is the thing you have to look at.

MR. ROBERTSON: I was just wondering if we could maybe take a short survey, and if anybody here knows what their residential bill is at their home for User Charges, and if you are an industry, what is your monthly or annual User Charge and ICR?

MR. CRISWELL: Larry Criswell. Our User Charge is the most prevalent. The median residential bill would be for 500 hundred cubic feet. We have a customer charge plus volume charge. The charge for that rate would be \$4.80.

MR. PAI: A month?

MR. CRISWELL: Per month.

It is difficult to tell you, for example, what the industrial bill would be unless you can give me some parameters. There is no such thing as an average industry. We have industrial type billings anywhere from \$100 to \$200 a month,

all the way to \$20,000 or \$25,000 per month,

The Industrial Cost Recovery is somewhat difficult to tell you without reference. We have two programs in implementation at the present time. The first was in effect November 1976. There is one substantial contributor to that project. His bill last year was roughly \$2,200. The larger project went into effect November 1977, so we really don't have a year's history of billing. We will of course, as I understand the regulations now, collect actual receipts for the time per November 1 through January 1, which is the rough implementation date of the moratorium, and we have elected then to send deferred bills showing what ICR payments would have been, and that will be coming up here in the next month.

I am groping. I think maybe the largest of the ICR bills for the Southwest plant project would have been in the neighborhood of \$10,000 to \$12,000.

MR. PAI: Per year?

MR. CRISWELL: For one year, right.

The total ICR receipts this coming year were projected to be \$75,000 to \$78,000.

MR. DUFFIELD: I would like to expand on that. The 5 ccf that we quoted was the average residential use. It was the median. The easiest way to think of it we have a fixed charge of \$2.95 for the residential customer. Easiest way to

think of it and \$4.90 a month for the nonresidential customer. We bill then at 37 cents per hundred cubic feet after that. It is just a straight line and use more and costs more.

That is probably the largest contributor to the some-
times large industrial bills, the volume charged. /Suspended solids charge
and our BOD charges are really affected when there is a fairly high strength, and then they can be quite substantial. They do not rise at the same geometric progression.

MR. WUTTKE: Richard Wuttke. Could I deviate away from your survey just a second? I have a couple questions. Number one, does EPA have a definite guideline that they use in determining percentage of Public Owned Waste Treatment? Do they flow or go by the BOD or both or does the EPA refrain from being involved in determining this?

MR. HOWARD: As a minimum we go by flow, BOD and suspended solids. If there are any other unusual pollutants, or toxic materials, those would also be considered in the definition.

MR. WUTTKE: Is EPA involved to the point of helping determine this in a proposed plant? Do they become involved with the consultants? Is EPA a factor?

MR. HOWARD: We are a factor in the manner that we review what the municipalities and consultants submit.

MR. WUTTKE: You do not make suggestions or recommendations to change?

MR. HOWARD: We will make suggestions and recommendations if what is submitted by the municipality doesn't seem to agree with what the actual percentage, the industry is contributing to the municipality.

MR. WUTTKE: Therefore you have recommendations but no hard data.

MR. HOWARD: That's correct, due to the variable nature of the situation in each community.

MR. WUTTKE: Secondly, I might add, the question was brought up here before in regard to being refused access to a wastewater treatment plant by industry, and I think in particular your case in Iowa, it is just the opposite, due to the fact that our industry, my industry in trying to prepare and plan a treatment plant has been approved by other areas, and encouraged to relocate and use existing facilities. We are being approached now with a repayment plan for a 20-year period of \$30,000 per year plus our share of O&M to be another \$25,000. We are looking at \$4,000 to \$5,000 costs where we are at. We have been guaranteed to be less than that if we will relocate.

It isn't a matter, I don't think, in our particular area of being refused a place to go. In fact, we are being

encouraged to change. Yet, the municipal plant that is there where we are currently serving is going to be required, should we leave it, to invest another \$400,000, which of course will mean federal and state monies, but it does not let them off the hook.

MR. HOWARD: I don't know the particular town you are talking about, but I would venture to say if industry would leave the community, and this has happened in other cases, that perhaps the municipality would not be required to upgrade or expand their treatment facility. In other words, existing facilities may be adequate to meet their discharge requirements. That is exactly the situation where we would suggest that the municipality require a contract from the industry to commit them to the use of that facility, where you are considering a "go or no go" situation, to build or not to build.

MR. CRISWELL: On that particular statement that you just made, you said you would suggest that contract. Is EPA in a position to require such a contract? Can you under the regulations now?

MR. HOWARD: I think we have required a few instances in the past, contracts on the basis that if the industry did leave the city, and the city was still required to upgrade or expand, they may not have the financial capability to do so.

Other than that, I am not sure of any other authority.

MR. CRISWELL: This is something over and above the letter of intent required from a substantial user?

MR. ROBERTSON: Yes, regulations require a treatment plant to be operable, and there are a couple of cities in the region where an industry constituted 90 percent or so of the capacity. And if they were to leave town, the plant would be inoperable, due to lack of flow through the plant. So in those cases we have required a contractual agreement between the city and the industry. But it is not between EPA and the industry.

MR. PAI: Both of you gentlemen are from the city. How do you feel about this contractual requirement? Do you favor it, or to a certain degree do you favor the contractual?

MR. CRISWELL: It is hard to put yourself into a position, a situation like Tom described, where the industrial contribution is so significant from the population of roughly 165,000, so we don't obviously have that type of problem. I don't think it really is applicable to our situation if we wouldn't be able to see any substantial reasoning behind the need for such a contract, such as was just brought out. I think my own personal view would be that I would not favor a contractual agreement of that type, simply because it is seemingly an overwhelmingly burden on the industry.

MR. PAI: Have you ever rejected an industry's coming into your town or expansion for additional capacity?

MR. CRISWELL: We don't know whether we have rejected them or not. We have asked them a number of questions and found them not to locate.

MR. PAI: Such as what?

MR. CRISWELL: Such as the possibility of retention time at least 24 hours of the total daily discharge, probably the question which scared more people than any other,

But primarily the type of questions we ask are those types of things that we would find out through routine surveillance of monitoring, anyway.

I can't really say that anybody has failed to locate because of that type of prelocation screening, if you will. We were much more sensitive to that type of question before the recent upgrading which increased capacity of both of our treatment plants than we are now. We are presently right about the averages that Coopers & Lybrand found out, using roughly 70 percent of capacity of one plant and 72 percent of the other.

MR. PAI: You feel that the EPA guideline is adequate for you to size your plant correctly or the way you feel it should be sized? Is the cost of guidelines too tight or loose?

MR. CRISWELL: I can't speak to that question because I am not involved in any way in the design.

MR. KIRK: Donald Kirk. I have in round numbers two rate structures, so you get a percentage of various components.

Case one, local capital share is \$65,000 a year. ICR is \$25,000 a year, and the User Charges are \$150,000 a year. That is for the total of \$240,000.

In that case, ICR is about 10 percent of the total.

MR. ROBERTSON: What size discharge?

MR. KIRK: Discharge runs up to two million gallons during the the height of the season. It goes into a community serving about 30,000 people.

Our portion of the total design of the plant is something like ten percent.

MR. PAI: It is more than that, isn't it? You have 300,000 people, you would have--

MR. KIRK: Thirty thousand.

MR. PAI: Thirty thousand people, you would have about 3 MGD plant of domestic flow.

MR. KIRK: It is a 13 MGD plant. There are other industries. You have different BOD and suspended solid ratios.

MR. PAI: You have other industry? I thought you meant a one-industry town.

MR. KIRK: The other case, Case 2, the capital is \$240,000 a year. ICR is \$185,000 a year. The User Charges are \$395,000 a year, for a total of \$820,000. So you have got a

little over 20 percent ICR in that case.

I might add that in the case where we are only paying 10 percent, we do not have an absolute fixed capacity/^{contract,} so we are paying ICR based on the actual discharge. In the second case we do have a complete, firm, fixed capacity, and we are taking ICR on our design whether or not we use it all year. That is probably the main reason for the difference between 10 percent in one case and 20 percent in another case.

MR. ROBERTSON: You used a phrase that I would like for you to define for me. What is your actual discharge? Is that daily average, peak daily average?

MR. KIRK: The total number of pounds discharged to the system all year.

MR. DONAHUE: I think one of the comments we would like to make, talking about rates and what people pay, to use a statement that one of my colleagues likes to use all the time, that rate making is an art, not a science. You are going to find, depending upon EPA for all its regulatory responsibility, and its active involvement, in looking at the User Charge and Industrial Cost Recovery systems, basically is in a position where if a community comes in with something that seems logical, EPA is likely to approve it.

If a community wants good engineering judgment and

good accounting judgment, put two of them together, and allow the community to really allocate cost and rate structure, they can do just about anything they want to do.

Even with ICR regulations as presently drawn, the User Charge regulations as presently drawn, the community still has an awful lot of flexibility in how they do things.

Probably without too much difficulty, the community, if it chose, could allocate debt service in some different basis other than proportional basis.

You could take your local debt service and do it on a declining block rate basis. You could do all kinds of things, except for a couple states where there are state requirements.

MR. KIRK: Donald Kirk, again. I agree with your comment on local capital. Unless you happen to be in a state that has special requirements for it, that has no federal requirements at all. And one can do anything he wants with it. The problem with that is, it is very difficult to tell a community that he should share ICR on one basis and share local capital on another basis. Frankly, from my own point of view, about three years ago or so, when we started putting these agreements together, I was even under the preliminary assumption they had to be done the same way. Many people who were a lot better acquainted with the situation than I did also

tend to think that way. It was somewhat of a revelation to me later that we could have theoretically done anything we wanted to with local capital. The User Charge is bound by certain proportionality requirements. They are fairly loose and sloppy and have a lot of room for local maneuvering, but nevertheless you must show some reason for what you are doing and you can't arbitrarily do something.

MR. DONAHUE: That is true. But you can, once you define what actual O&M costs are, the User Charge rate base, engineering judgment you use in allocating those costs to volume or ^{or} BOD/suspended solids or to grease or whatever you want, gives you a lot of leeway.

MR. KIRK: Yes. We found some interesting inventiveness in some of our communities. When cost escalation, inflation rates begin to get severe, they find interesting ways to raise industrial rates and not have to put through a rate increase for their citizenry. I am never sure whether these things are purposeful or whether they are just an accident of the type of revenue plan that they happen to start with at the beginning. We are now in the process of going back to two different communities and saying, hi, look, we are getting an unreasonable amount of impact from your cost increases. Let's go back and reconsider this User Charge allocation, and get something that gets us a more equitable share of the inflation that is going

on out there.

MR. DONAHUE: I think communities generally are learning they have to pay more attention, put more thought into the designing of rate structures, and cannot any longer sit down with their one-man accounting shop and their one-man consulting engineering shop and come up with a rate structure. They have to think the thing through.

MR. ROBERTSON: I believe, I don't know his name, the gentleman from St. Joseph, they had substantial negotiations with the community of industries up there, and it is a function of how knowledgeable industries are, how much flexibility they have, as to what goes down. They spent probably a better part of a year just negotiating allocation procedures.

MR. BROWN: Did they approve that?

MR. ROBERTSON: Yes, finally, conditionally, I believe, is the word he used.

MR. PAI: Any other comments or discussion from the floor?

Well, just a last reminder that you can send your comments, whatever you may have, by the end of this month to Tom. And you also can call me in Washington, D.C., my Area Code is 202, 426-8945.

So if there is no other comment or discussion, the meeting is adjourned. Thank you all for coming,

(Whereupon, at 2:50 p.m., the meeting was adjourned)

INDUSTRIAL COST RECOVERY PUBLIC MEETING

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Quality Inn
Denver, Colorado

Thursday, October 19, 1978

The public meeting was convened at 10:10 a.m.,
Harvey Hormberg presiding.

ORIGINAL

STEPHEN B. MILLER & ASSOCIATES

745 THIRD STREET, S. W.
WASHINGTON, D.C. 20024
(202) 354-9148

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PERSONS PRESENT:

Dennis T. Cafaro, Mgr., Wastewater Division,
811 E. Las Vegas, Colorado Springs, Colorado

William E. Korbitz, Manager, Metro Denver Sewage
District, 6450 York Street, Denver, Colorado 80229

Moe Tabatabai, Chief, Operation Engr., Waste-
water Management Division

John P. Hurst, Environmental Engineer, 310
Capitol Life Center, Denver, Colorado. Hdq. Engineers.

J. Thomas Adams, Operations Consultant, McCall,
Ellingson & Morrill, Inc., 1721 High Street

Richard O. Davis, Mgr., Environmental Engrg. Depart-
ment, M&I, Inc., Consulting Engineers, 4710 S. College Ave.,
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Tommy O'Brien, Sellands & Grigg, Inc., Engineer
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Errol K. Stevens, Wastewater Management, 3840-6
York, Denver, Colorado

Robert J. Madden, Chief, Government Affairs, County
and City of Denver, Wastewater Management Division, 3840 York
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Bob Kocarha, Operations Specialist, Camp, Dresser
& McKee, 1660 S. Albion St., Denver, Colorado 80222

James F. Dunn, Sanitary Engineer, EPA.

Dallas K. Stephens, Assistant to Utilities Director,
Englewood Utilities Department, 3400 S. East Street,
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Frank Orthmeyer, Director Public Works, City of
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Bruce Smith, Administrative Assistant, Pueblo
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Alan Brown, Consultant, Coopers & Lybrand, 1800 M
St., N.W., Washington, D.C. 20036

Edward J. Donahue III, Consultant, Coopers & Lybrand,
1800 M St., N.W., Washington, D.C. 20036

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MR. HORMBERG: Good morning. My name is Harvey
Hormberg. I am the EPA Director of the Office of Grants, which
means that I am responsible for EPA's grants activity in the
states of Colorado, Montana, North Dakota, South Dakota,
Utah and Wyoming. It is my pleasure to welcome you today
to participate in this meeting which is part of EPA's
study of Industrial Cost Recovery.

It is EPA's sincere intention that the public be
involved in the study, and that public statements and concerns

be reflected in the final report to Congress in December.

In order to make certain that everyone has the opportunity to be heard, we must have a simple understandable and orderly meeting. To assure this, we will observe the following order of procedure.

A brief explanation of the purpose of the ICR study and of this meeting will be made by Jerry Burke, who is our regional specialist for User Charge and Industrial Cost Recovery.

A briefing of the project scope and methodology will be presented by Alan Brown on my far left, of Coopers and Lybrand, the management consulting and accounting firm hired by EPA to assist us in this study.

Presentation by Ed Donahue who is on my immediate left, of Coopers & Lybrand, of the findings and conclusions of the study as well as some of the possible recommendations which could be made as a result of the study.

Prepared statements by those individuals who have scheduled a statement in advance will then be handled next.

Then any prepared statements by anyone else who has a written statement.

Then questions and answers in an open discussion.

We intend for everyone to be heard who wishes to speak, but I must insist that we follow the format that I have just outlined.

ICR is a topical issue and we want the Congress to be aware of the grass roots concerns relating to ICR. We will stay as long as necessary to conclude this discussion. We have a court reporter with us today and a transcript of the meeting will be appended to the final report which goes to Congress. For that reason I must ask you to speak clearly and slowly and one at a time. We are also recording on tape.

Without further ado, I will turn the meeting over to Jerry Burke who will explain the basic purpose.

MR. BURKE: I just subcontracted my speech to Alan Brown, mainly because a lot of it is to do with Congressman Roberts' report, so he will take it from there.

MR. BROWN: Good morning. My name is Alan Brown. I am with Coopers & Lybrand. I was responsible for the data collection effort that we conducted in the western half of the country. I would like to briefly tell you why the ICR study is being conducted and why we are having this meeting.

As you all know, the passage of the Federal Water Pollution Control Act amendments of 1972, Public Law

92-500, intended that wastewater treatment facilities be operated as a nonprofit public utility. Section 204(b) of the Act required the grantees to develop and maintain two basic kinds of revenue systems.

The first kind was a User Charge system which was designed to recover the operating, maintenance and replacement cost of the treatment system from all users of the system on a proportional basis related to useage.

The second kind of revenue system was the Industrial Cost Recovery, designed to recover from industry the portion of the EPA grant allocable to construction of sewage treatment capacity for industry. While some jurisdictions tend to disagree with EPA's regulations and guidelines related to User Charge, most grantees agree in principle with the idea of an economically self-sufficient wastewater treatment system.

ICR, on the other hand, is a topic which has caused considerable debate over the last six years.

In response to many questions and much discussion, Congress in December 1977 enacted the Clean Water Act of 1977, Public Law 95-217. This Act makes several modifications to the 1972 Act, and one of the requirements of the 1977 Act was set forth in Section 75, which specified that EPA would study the efficiency of and need for ICR. The study

was to include but not be limited to analysis of the impact of ICR on rural communities and on industries in economically distressed areas or areas of high unemployment.

The report must be delivered to Congress by December 31, 1978.

In May of this year EPA contracted with Coopers & Lybrand to conduct this study for the agency.

The purpose of the study was to carry out the instructions of Congress and the basis for our scope of work was the questions inserted in the Congressional Record of December 15, 1977, by Congressman Roberts. We have got a copy of Congressman Roberts' questions here.

Congressman Roberts said, "It has long been the intent of Congress to encourage participation in publicly owned treatment works by industry. The conferees are most concerned over the impact the Industrial Cost Recovery provision of existing law may have on industry participation on these public systems. Accordingly, the Industrial Cost Recovery study, Section 75, has been incorporated in the conference report, and EPA is encouraged to submit the results of the study as soon as possible so that Congress can take action on any recommendations that are forthcoming.

"It is expected that the Administrator will consult with all interested groups in conducting this study

and that the study will address at least the following questions:

"First. Whether the Industrial Cost REcovery Program (ICR) discriminates against particular industries or industrial plants in different locations, and do small town businesses pay more than their urban counterparts? What is the combined impact on such industries of the User Charge and ICR requirements?

"Second. Whether the ICR program and resultant User Charges cause some communities to charge much higher costs for wastewater treatment than other communities in the same geographical area? Some communities have indicated that disparities in ICR and User Charges affect employment opportunities. Whether a mechanism should be provided whereby a community may lower its User and ICR Charges to a level that is competitive with other communities in order to restore parity?

"Third. Whether the ICR program drives industries out of municipal systems, the extent and the community impact?

"Fourth. Whether industries tying into municipal systems pay more or less for pollution control than direct dischargers?

"Fifth. Whether the ICR program encourages conservation, the extent and the economic or environmental impact?

"Sixth. Whether the ICR program encourages cost effective solutions to water pollution problems?

"Seventh. How much revenue will this program produce for local, state and federal governments, and to what use will or should these revenues be put?

"Eighth. Determination of the administrative costs of this program, additional billing costs imposed, costs associated with the monitoring of industrial effluent for the purpose of calculating the ICR charges, ancillary benefits associated with the monitoring of industrial effluent, procedures necessary to take account of changes in the number of industries discharging into municipal plants, and the impacts of seasonal or other changes in the characteristics and quantity of effluents discharged by individual industries?

"Ninth. Whether small industries should be exempted from ICR? How should small be defined? Is there a reasonable floor that can be established for ICR based upon percentage flow?"

We at Coopers & Lybrand have been busy for the past five months asking questions and gathering data from

a cross-section of viewpoints. As a final action in their data collection phase, ten regional meetings are being held in all EPA regional offices to present a summary of the data gathered to date, as well as a preliminary set of conclusions.

We would like to gather data and statements from those interested parties with whom we have not had a chance to talk in the past. We want to present a list of some of the alternatives to ICR which could be recommended.

Finally, we want to answer as many of your questions as we can.

Our primary purpose, though, is to listen to your comments.

With that, I will tell you a little bit about the project scope and methodology. When EPA first asked us to conduct the ICR study, the first thing we did was to read the 1972 legislative history related to User Charge and Industrial Cost Recovery to find out just exactly what was ICR supposed to accomplish. Stated briefly, we found two major ideas contained in the legislative history. The first was the idea of equity or the equalizing of the assumed economic advantage namely, less expensive sewage treatment costs with those industries using public sewer systems as opposed to those industries treating their own

sewage.

And the second idea concerned capacity, or appropriate sizing of wastewater treatment plants with adequate but not excess future capacity.

A third idea, but not as central to ICR as the first two, was to encourage water conservation.

This background material, together with the legislative history from the 1977 Act, especially Congressman Roberts' questions which I just read, and Congresswoman Heckler's statements on ICR, served as the framework for us to plan the study.

The initial step that we took in late May of this year was to sit down with EPA personnel, including John Pai, John Gall from Region I, and Ted Horn from Region V, and put together a large shopping list of every piece of data that we could think of that would be helpful in answering specific questions already asked about ICR and User Charges, as well as what data could help us in addressing more general issues that were involved.

We took this list of data elements that we had drawn up and converted it into two draft surveys, one survey questionnaire for industry and one for grantees.

The draft industrial questionnaires were reviewed

with the National Association of Manufacturers and the National Food Processors Association and other public and industrial associations in groups just to be certain that the information we wanted was available and could be provided to us.

After refining the questionnaires, we developed a list of people to survey. With EPA regional office assistance we compiled a list of approximately 100 cities which we plan to visit and interview in person. These cities ranked in size from Ravenna, Nebraska, with a population of approximately 560, to cities as large as New York and Chicago.

We eventually ended up visiting approximately 120 cities, some of them twice if there was strong local interest in the study.

Our standard procedure was to attempt to meet first with the local agency responsible for wastewater and then with any other interested group, such as industries and civic associations later in the day. We mailed survey questionnaires out ahead of time to the people we were going to meet with, so that they knew the kinds of data we were looking for and could prepare. We stressed that participation in the survey was voluntary, and in many cases people mailed in completed questionnaires rather than meeting with us personally.

After we drew up our list of 100 cities to be visited in person, we came up with a list of 200 additional cities, with telephone surveys. The same questionnaires were used and they were mailed in advance to the people who were to be surveyed. A group of five industries, later expanded to six, was selected for detailed study. Now although we were interested in the impacts on industry in general, we were particularly interested in the impacts on industry which met one or more of the following criteria:

It was a labor-intensive industry, had a low operating margin, was a high water user, was affected greatly by seasonality or affected greatly by extent of pretreatment regulations.

The industries that we eventually selected for detailed study were meat packing industry, dairy products, paper and allied products, secondary metal products, canned and frozen fruit and vegetables, and the textile industry.

A list of selected establishments in those industries located in the cities we were going to visit in the telephone survey was prepared and survey forms mailed to those establishments.

The entire data collection effort was accomplished in six weeks, using ten teams of C&L consultants.

The second step in the study after the data collection phase, and just as important as the first, was to develop mechanisms for public participation in the study. We wanted grass roots involvement and wanted an open study. We put together an ICR Advisory Group of approximately 40 individuals representing industrial groups, environmental, civic, local government, and Congressional interests, and relied on them to keep their local chapters involved in the study. Monthly meetings were held in Washington, and transcripts of the meetings mailed to anyone wanting them.

The third step in the project was to summarize and analyze this data collected. We are currently completing this task and have reached some preliminary conclusions as to what the data means. Several computerized statistical analyses were developed and are currently being refined. We feel we have looked at enough data to be able to formulate possible alternatives to ICR as it is presently constituted, and one of the purposes of the meeting today is to relate to you what we found, and to get your reaction to it.

After these ten regional meetings are held, we will put together a draft final report which will be widely circulated. This report is scheduled to be written in mid-November. Then in December we will begin to write our final

report which will be delivered to Congress in late December. The final report will contain recommendations to Congress concerning ICR.

We cannot of course guarantee that Congress will act on our recommendations.

Now, since you are all interested in our findings and conclusions, I will turn the meeting over to Ed Donahue, who will relate to you what we found, what we think it means, and what possible alternatives could be suggested.

MR. DONAHUE: Good morning. My name is Ed Donahue. I am Project Manager for Coopers & Lybrand, the ICR study. I am here to tell you what we found during the course of the study, what we think it means, and then to present some possible alternatives.

The data and statistics that I will be using are based on the data we collected during our study currently being studied, validated and refined in our Washington office.

Rather than hand out raw data or computer printouts that are understandable to only a few people, we summarized our data into a handout entitled "ICR Study Data" dated October 10, 1978. You should have received copies of this handout earlier.

The final version of the data analysis will be much more detailed, much more extensive, and will be appended

to, and included in, our final report.

Without further delay, let's look at the data. Remember, though, that the data is mostly average data and requires careful thought before using it, or it can be very misleading.

We eventually got data from 241 cities or municipalities, or EPA grantees. The best data came from places where we actually visited. The data we obtained from the telephone surveys was not as complete or precise. We also obtained data from 397 industrial facilities, most of it through the effort of trade associations. The industrial data is at plant level, rather than company level.

Looking at the major issues before looking at specific data, the first thing we want to address is the issue of equity, or the assumed economic advantage (namely, less expensive sewage costs) for industries using POTWs, Publicly Owned Treatment Works, versus those treating and discharging their own wastes. We used a computerized model which we had developed for industrial clients, and modified it to reflect User Charge and ICR situations. And we used Camp Dresser & McKee to develop some cost equations for us on cost of self-treatment versus POTW treatment for industries.

Basically, the model incorporates a series of

equations which reflect the cost of doing business, and enable a company to evaluate alternatives--in essence, a "make or buy" decision--should the company use a POTW, or should it treat its own sewage? What we found was that for some medium or large industries having compatible wastes, it is cheaper in the long run to self-treat, even without including ICR, just including User Charges as a basis of comparison. This is a very significant finding. What it means is that even without ICR or pretreatment costs, large industries should from an economic viewpoint treat their own sewage. This is based on several tax changes that were not really known to the Public Works Committee when they wrote the User Charge and ICR provisions of 92-500, since these tax provisions were enacted after passage of Public Law 92-55, and basically there are three:

First, accelerated depreciation over a five-year period for pollution control facilities.

The second is investment tax credit for capital equipment.

And third is use of tax-free IDBs or Industrial Development Bonds to finance self-treatment facilities.

The proposed and current tax law changes just recently enacted by the last Congress, and to be carried on

in the next Congress, if enacted make it more attractive for industries to self-treat because of the increased investment tax credits which those tax changes include.

What this finding says is, that for many industries, it is cheaper to self-treat than to use POTW. If this is the case, why don't more industries self-treat? There could be several reasons:

First and most obviously, these are not geographically located on a river or stream or other receiving body, where they can discharge.

The second is they don't want the hassle of self-treatment. They don't want the NPDES permit. They don't want to have their own treatment works, sewage plant operations, et cetera.

Third, the User Charge and ICR havenot been in effect long enough to really see their impact. The significant thing to bear in mind, though, is that if ICR and pretreatment costs are added on top of the User Charges, they could be the final straw that drives industry out of POTWs, thus making it more expensive fore the remaining POTW customers to use a public sewer system. In particular, EPA's application of pretreatment standards is likely to make many industries consider self-treatment.

The second major issue is that of POTW capacity. Based on the survey of 241 facilities from which we obtained data, the average POTW uses only 68 percent of its design capacity. The usage ranges from a low of 4 percent to a high of 120 percent. It appears that ICR, as presently formulated, has not acted to put a cap on construction of excess future capacity in POTWs.

The third issue, that of water conservation, is not as clear. Based on the industries we surveyed, water consumption has dropped an average of 29 percent, but the industries with whom we talked attributed the water conservation to higher water rates and User Charges, not to ICR, because ICR as a percentage of the water bill and User Charges is not that significant at this time.

The economic impact of ICR to date is not significant in most locales because:

ICR has not been in effect for more than a year or two.

Most grantees have suspended ICR billings while the moratorium is in effect.

The exception to the insignificance of ICR is those cases where there are seasonal users and/or AWT. In those cases, total sewage costs for industries have increased by several times.

The incremental impact of ICR above User Charges is generally not great with the exception of the two cases just mentioned; the combined impact of User Charges and ICR can be very significant.

We can find only a few scattered instances of plant closings due to sewage costs and none attributable solely to ICR. The total jobs lost in the plants that did close was less than a thousand. In every case, there were other factors such as plant age which affected the plant closing also.

The impact of ICR appears to be greatest in older cities, particularly in the Northeast, and particularly in small to medium sized cities and in agricultural communities. There does not appear to be any impact of ICR on industrial growth patterns to date. We were not able to differentiate the impact of ICR on small versus large businesses, because very few industrial plants were willing to disclose production or sales data. The cost to industry of sewage treatment is much greater, by about 50 percent per gallon in AWT plants as compared to secondary plants.

The incremental cost to grantees to maintain and operate ICR, that is, the "eliminatable cost" above and beyond the cost of maintaining and operating User Charge systems is small when compared to the total cost of sewage treatment

averaging only about \$15,000 per grantee per year. Average ICR revenues per grantee per year are approximately \$88,000, of which \$8,800 is retained for discretionary use by the grantee.

There is more data which might be of interest to you that is included in the handout, and we will be pleased to discuss specific data during the question and answer period at the end of our meeting.

To summarize our findings and conclusions very briefly:

ICR is not doing what it was supposed to do.

Relatively few cities have implemented ICR.

Most of those who have implemented ICR have suspended collections.

ICR to date has had no significant impact on employment, plant closings, industrial growth, on import-export balance, or local tax bases.

ICR is not proving cost-effective, in producing revenues for local or federal governments, at least in most cities.

We must realize, however, that the Clean Water Act had social as well as economic objectives. Among other things, Congress was attempting to avoid the appearance of using public money to subsidize industries that discharged to

grant funded POTWs. While our studies have shown that many of the economic objectives have not been met, the social objectives remain. Accordingly, it is appropriate to consider a series of alternatives to ICR as it now exists.

At this time I will ask everyone to turn their attention to a document entitled "Preliminary Compilation of Possible Study Alternatives" dated October 10, 1978, which you should have copies of. The document presents 16 alternatives, ranging from leaving ICR as it is now to outright elimination of ICR. These alternatives are not necessarily mutually exclusive. That is, some of them could be combined for concurrent use. They are also not comprehensive. Other alternatives could be proposed and we hope will be. We are also not arranging them in any order of preference.

I would like to adjourn the meeting for 20 or 30 minutes to allow everyone the opportunity to read this document. Stretch your legs a bit and come up with some ideas and reactions to these alternatives.

We will be available to answer questions or discuss informally with anybody any other questions about these alternatives. If we could adjourn to eleven o'clock, we will be available to discuss informally with anybody, any of their questions. Thank you.

(Short recess)

MR. HORMBERG: We are ready to pick up again.

John Pai has some comments he wishes to make.

MR. PAI: Good morning. I am John Pai, from Washington, D.C., EPA, and I am the Project Officer for this study. I just have a few statements to make relative to the project. Number one is I heard many people feel they don't have any time to review the material we sent to them and they wanted the comment period extended. We decided that the comment period for this study is extended up to the end of this month, October 31. So any written comment after this meeting can be forwarded to Jerry Burke, here in Denver, or to me in D.C. I will make my address available to you, or to Coopers & Lybrand in Washington, D.C. Again they will make their address available to you.

The key thing is we have to receive it by that date to be properly considered.

Another thing I want to point out to you is I encourage you to make your comment. The reason is the approach to this study is a little unique, we come to the meeting without a set mind or what we feel is the best way to do it. We want you to think along with us and to make a group decision such that it would reflect indeed this is what people wanted and this is indeed what Congress wants us to proceed with the study.

So we want you to think about it, and I think it is a demand on you, but I think it is the very best opportunity that you can have your opinion in a decision making process.

Another point I want to make is that we are having similar public meetings all over the ten regions, EPA ten regions. And so the final decision will be based on the input from all these ten public meetings as well as from some of the decision making people in D.C. as well as in some of the trade associations, and other interested public groups. The final decision will be made by EPA, but when we make that decision, I think you probably know where the decision comes from.

I want to, at this point, thank Harvey and his very able staff who put on this meeting for us. We did give them very short notice to arrange this meeting and I want to apologize. I hope the next time we will give the region a little bit more time to arrange a meeting, and I want to thank you all for coming again.

I give this back to Ed Donahue.

MR. DONAHUE: We would like to take these alternatives. As I said, they are not the only alternatives to be arrived at. They are the ones we put together, talking with some people from the trade associations and some people from EPA. They are not ranked in any order of preference. The advantages are not all-inclusive. You can probably think of some more

advantages and disadvantages for each of them.

Al Brown is going to go through the 16 alternatives that we have been able to come up with, and there are variations on all of them, too. You could combine them or modify them, whatever. These are alternatives we have been able to think of. If you can think of some others, we would like to hear them.

Alan, do you want to go through them.

MR. BROWN: First of all, am I speaking loudly enough for everyone to hear me? Okay. As Ed said, these aren't ranked in any order of preference. You can combine two or three possible alternatives to come up with one final recommendation.

Something I should make clear to you ahead of time, under the disadvantages, for instance, under a lot of the alternatives, one of the disadvantages eliminate ICR revenue returned to government based on the interviews we did, total ICR revenues to be collected over 30 years is going to be between \$1 billion and \$2 billion. This is significantly lower than \$4-1/2 to 7 billion that was estimated when the program was originally established. When you consider that 50 percent of ICR revenues collected go back to the federal government, that cuts down the share to a half-billion from a billion dollars over 30 years. So over a 30-year period, we are really not talking about a significant amount of money. But that is

listed as a disadvantage and I wanted to explain that to you early on.

The first and most obvious alternative to ICR as presently constituted is just to abolish ICR, get rid of it totally. Do nothing with it. Substitute nothing for it. Some of the advantages here would be to eliminate the complaints that we often hear from grantees that ICR is not cost effective, and it is difficult to monitor and administer. It would eliminate the complaints from industry that ICR is double taxation and adds an unfair economic burden depending upon where the industry is located and who they discharge to. And it would also eliminate the inconsistencies that we see in ICR charges from one part of the country to another or from one grantee to another.

Some of the perceived disadvantages of this are considering that one of the prime motivators behind ICR was to put a cap on design size, without ICR and without some other form of control on design parameters allocated to industry, abolishing ICR may encourage grantees to plan and construct treatment works that are larger than necessary.

And then the disadvantage of eliminating revenues.

The second alternative is to base grant funding for eligible project costs, including industrial capacity, on a sliding scale, with EPA funding current need at 75 percent and

reducing project funding as grantees plan treatment works that are larger than current needs indicate. ICR would be based on current regulations.

What this is talking about is identifying the needs of today and having EPA fund those just as they do today. And up to secondary treatment. Now, if the local community or state required advanced waste treatment or tertiary treatment, EPA wouldn't fund that portion of the project cost, and as a grantee, design and develop projects that are larger than current needs, as they start building for future capacity, EPA's total grant funding would go down.

Now, what this would do would be to encourage more front end planning, and reduce the amount of excess capacity that is designed and constructed and it would encourage industry to participate early on in planning and identifying treatment works needs.

A large disadvantage is that it may not be cost effective to design treatment works this way, when you are designing for a large and rapidly growing area, and in many cases another disadvantage is to increase the total local share of cost for grantees building treatment works.

Alternative No. 3 is similar to Alternative No. 2. You base grant funding for eligible project costs on a sliding scale. However, you would not include any funding for

industrial capacity.

The major difference here is that there is no industrial capacity whatever that would be grant fundable or project eligible. This would eliminate ICR totally, because there would be no federal grant allocable to industry.

A major advantage would be to eliminate grantee complaints that ICR is not cost effective and difficult to monitor. It would eliminate industry's complaint that it is double taxation, and an unfair economic burden of ICR. It would eliminate the costs associated with implementation and monitoring ICR systems for grantees and for EPA. And it would tend to encourage better facility planning.

One of the major disadvantages is it would increase the local share of project costs. These added costs may be passed through to the industrial users, and in many cases would exceed ICR costs, because there is going to be no federal funding for industrial capacity.

Alternative No. 4 is to charge ICR strictly on treatment works, eliminating ICR charges for interceptor sewers.

The advantage to this is that it would reduce the administrative requirements that grantees often must perform to identify which industries discharge to which interceptors, and how much of the interceptor to charge ICR on.

Many grantees have complained that it is very, very difficult for them to come up with specific allocations for industry,

The one disadvantage we can see here is that it is going to reduce ICR revenues.

Alternative 5 is to base industry's share of the federal grant on an incremental cost basis rather than on a proportional cost basis as is now the case, and what this would do is allow industry to receive the benefits of economies of scale, using an incremental cost basis. If we need design your facility it would take 8 MGD to provide capacity for residential and commercial classes, and an additional 2 MGD for industry. The incremental cost of building that 2 MGD would be the grant portion allocable to industry and it's what would be recovered, using this method,

The major disadvantage, it is going to be very, very difficult to determine incremental cost of constructing a treatment plant, and it is going to be difficult to monitor.

Alternative 6 is to allow the costs of constructing industry's portion of treatment works to be grant eligible based on grantee's option. If industry's share is elected to be grant eligible, EPA would fund, as they currently do, the project and the amount it cost to build industry's

You could set it up on a state bases or you could even go down as low as a city basis,

Now, this uniform rate could be modified based upon adjustments for treatment level that the plant goes to, for instance, secondary versus tertiary, type of treatment, like activated sludge versus trickling filter, or leve of discharge from the POTW. For instance, we found that the Industrial Cost Recovery rates and payments are higher from industries that discharge to a tertiary plant, and using a uniform rate you could establish a uniorm law that would adjust the rate up and down depending upon the kind of plant that you discharged to.

One of the advantages here would be to reduce inconsistencies of ICR rates depending upon the level of uniformity you adopt, but it would be difficult to administer and develop these uniform rates.

Alternative No. 8 is to attempt to establish a circuit breaker exemption, meaning once you reached a certain threshold, ICR would kick back in and would be collected. EPA currently has a threshold or circuit breaker of 25,000 gallons per day, the equivalent of sanitray waste. That is what we are talking about here. That is an example of a circuit breaker. We have tried to list once again some of the situations that a circuit breaker exemption could be based on.

It could be based on local economic conditions; for instance, if unemployment went above a certain level, ICR would not be collected.

It could be based on an industry group method. For instance, bakers might pay ICR if certain conditions were met or canners might not.

And it might be based on a geographic area, lumping three or four states or a region together.

EPA currently has a circuit breaker based on the level of pollutant discharge, and you can also base it on a dollar level of ICR payment.

If industry is not going to pay more than a certain number of dollars in ICR payments, then you just don't collect it. The advantages here would be to reduce the number of industries required to pay ICR, and reduce the costs associated with billing and collecting it, and would allow flexibility based on special circumstances.

The disadvantage, once again, is, it is going to be difficult to develop and administer, and it will result in inconsistency of ICR charges from one area to another, one industry to another.

MR. CAFARO: Are you saying anything less than 25,000 gallons equivalent sanitary waste is not included in the

ICR? Is that what this alternative is stating? I am not sure I understand what you said about circuit breaker, 25,000 gallons.

MR. BROWN: Currently EPA regulations are saying that you do not have to charge ICR to an industry that discharges a process waste that is less than the equivalent of 25,000 gallons per day sanitary waste. That is a circuit breaker. If in 1978, an industry discharges 24,000 gallons per day they don't pay ICR. If next year they go up and discharge 26,000 gallons, they do pay ICR. Once you get above a certain level or below a certain level, ICR goes in or goes out.

Does that help you?

Alternative No. 9 and 10 are very, very similar. No. 9 is to allow a tax credit for ICR, and No. 10 is to allow a tax credit for pretreatment cost that industry pays.

Basically No. 9, tax credit for ICR payments, would be in addition to the normal write-off that business gets as an expense on ICR as a regular business expense.

It would eliminate industry's complaints concerning double taxation. It would be difficult to administer, and once again would reduce revenues, and it would require tax changes by Congress.

No. 10 would allow tax credits for pretreatment costs, and when we talk about pretreatment costs here, what we are

talking about are both capital costs associated with building pretreatment facilities, and with operations and maintenance cost associated with running those facilities.

MR. NAGEL: Did you say some of those are already available?

MR. BROWN: Some of the are, yes.

MR. PAI: Yes. Identify yourself.

MR. NAGEL: Fred Nagle, from Denver.

MR. BROWN: Yes.

The major advantage would be to encourage industry to pretreat their waste. The major disadvantage, it would be difficult to administer and it would reduce revenues.

Alternative No. 11 is to return to the requirements of Public Law 84-660, abolishing ICR as it is now. One of the complaints we heard from industry is that depending upon what kind of funding a grantee received, there are inequities between the types of charges an industry must pay. If a treatment works were funded using Public Law 84-660, there is no ICR. If it was funded using P.L. 92-500, there is an ICR payment. What this requirement would do would be to return to the requirements of Public Law 84-660 which requires industry to pay a proportionate share of local capital cost put up by the grantee. This would eliminate the complaint of inequity

depending upon the type of funding, and it would tend to reduce the administrative burden on the grantees, because complying with 84-660 was less complicated than 92-500.

The disadvantage would be to reduce revenues, and it may even encourage the development of excess capacity, lacking other kinds of controls.

Alternative No. 12 is to abolish ICR as it currently exists, and require that the local share of project cost be recovered through proportionate User Charges.

Currently EPA only looks at Operation and Maintenance and replacement costs when they approve the User Charge system.

What this alternative suggests is that debt service be included as a proportionate part of your User Charge and that ICR be abolished. What this would do would be to achieve equity in the method of establishing rates, if it is thoroughly and consistently monitored.

But it is--it has several disadvantages. One would be to reduce the grantee's flexibility in designing rates, it would increase the grantee's administrative cost because it would make User Charges more complex. It would increase cost to large users where grantees currently use a sliding scale method of recovering debt service.

And it may require major changes in some bond

covenants where grantees have used revenue or general obligation bonds to fund their local share.

Alternative No. 13 is to add an interest component to the current ICR requirements.

What this would do would be to eliminate the perceived subsidy with an interest-free loan to industry. And it would increase industry's participation in facility planning, because it is going to increase potential cost to industry, and it would eliminate that subsidy or interest-free loan component of ICR.

The disadvantage is by increasing cost to industry, it may encourage industry to seek other alternatives to discharging to a POTW, possibly increasing both capital cost and Q&M costs associated with those users that remain in the system.

Alternative No. 14 is simply to extend the ICR moratorium for an indefinite period and we feel the advantages and disadvantages are basically the same. It just postpones the date when a decision must be made on ICR, and really doesn't accomplish much.

Alternative 15 is to do nothing about ICR and maintain it in its current form.

The advantage would be that it would require no

administrative or regulatory changes.

The disadvantage would be that it would eliminate none of the problems we have already discussed concerning ICR.

No. 16 is to require a letter of commitment in contractual form from industrial users of POTWs, when a facility is sized, this is a step beyond the letter of intent concept that EPA is currently using. This would require industry to make a contractual arrangement with the grantee and this would encourage more precise planning on the part of the grantee and on industry's part.

But the major disadvantage is that it would commit industry for a longer term contract than most businesses are willing to or able to commit themselves to.

MR. DONAHUE: That is our list of prepared alternatives. If during the course of meeting and discussing, if anybody has others to propose, that is one of the reasons why we are here.

I would like to turn the meeting back over to John.

MR. PAI: Clearly there are four major thrusts that we tried to think of in the ICR requirement.

The first one is to simplify the administrative burden to grantees.

The next one is encouraging industry users to participate early in the planning stage for better planning and

sizing of the sewage treatment plant.

Number three is to try to give the grantee more discretion to fit his local conditions.

And number four, and I think it will become more evident, is trying to protect existing users, be it domestic users or existing industrial users, that they have reasonable charges to them and are not paying for too much future growth which they clearly don't get the benefit of at this present time.

So particularly the last point in a certain area, has become a very hot issue. In other words, there is too much capacity for future growth. Maybe it is reasonable. Maybe there is future growth in this area. However, the current payment makes the existing users pay an extraordinary amount, more than they are willing to pay at this time.

So these are the four major considerations that we established in going through these alternatives that you feel would more or less satisfy one or more of these major thrusts or any other major considerations we should have, please feel free to relate it to us.

That is what we are looking for in the alternatives.

In sending your written comments or for the meeting today, you do not necessarily have to make a very sophisticated

comment. We are fielding questions, we open discussion, and in a way we bring people to think about certain things that we may ignore or certain people may ignore. A written comment or anything like that, you don't have to send it in very formally. It is an informal notification to us, and we will put it in the record. You don't have to be careful about your wording. The same thing goes for the discussion here, just any comments you have, bring it up, and maybe stimulating thinking on other people's part.

MR. KORBITZ: Bill Korbitz, Metro Denver. On Alternative 16, is that last word supposed to be "sized"?

MR. BROWN: Yes.

MR. NAGEL: Fred Nagel, Denver. I have another question on this 8th alternative. You are saying that you have estimated the cost of administering the ICR program at \$20,000 per grantee per year. How many grantees are you figuring about, 20,000 nationwide?

MR. BROWN: We received information from 243 grantees. That is what our statistics are based on.

MR. NAGEL: You are not saying 243 grantees times 20,000 is the cost to administer the system?

MR. BROWN: No, we are not saying that. We are saying of the people that we interviewed, that cost was \$20,000 to

administer ICR.

MR. NAGEL: Per grantee?

MR. BROWN: Yes.

MR. NAGEL: Is there any estimate of the national number of grantees, multiply that by 20,000 and you get a national cost to administer the system.

MR. BROWN: One thing you have to be very careful about there, is that the information we received from a lot of grantees was very sketchy, it ranged from as low as zero dollars a year up to in the neighborhood of \$300,000 or 400,000 a year. It is really not--I don't think you can make a significant comparison that way.

MR. PAI: What Alan is trying to say, unless we have a good base for projections, we try to avoid making projections because it has no solid base. All statistical data you see today are based on actual data. We try to avoid speculations or projections without a large enough sampling size. As you know, ICR is really being implemented in very few communities and for a very short period of time. So we try not to project that over, except for what has presently happened up to this point.

MR. DONAHUE: The other thing about the cost to the grantee to administer an ICR program, we said that is

"eliminatable" cost. Anything we did related to the cost of ICR, as far as administering it, in any of our alternatives, was all within the ~~framework~~ that a User Charge system would still be there, whether or not there was an ICR system. So what we are talking about, we say the cost to the grantee is how much cost the grantee could eliminate if he could do away with ICR. You still would have a User Charge system. Okay, that is really an incremental cost for ICR. What kind of administrative cost could he eliminate if he did away with ICR? Depending upon the way you allocate cost, if you used a full-cost kind of method, it might say that ICR costs more than an incremental cost kind of method.

MR. PAI: Basically the incremental cost, as an example, is a collection of ICR and the fund management received the ICR payment. That is an example of what are incremental costs to ICR. For instance, monitoring industrial users, if you had to do that under the User Charge system, then you have to do that anyhow. That is a given cost, not an incremental cost. So just to give you an example of what are incremental costs.

MR. NAGEL: If you are estimating return of something like \$2 billion over a 30-year period, and half of that would accrue to the local government, what I am trying to arrive at, if it is \$20,000 per grantee, and if you estimate 20,000 grantees

nationally, you are coming up with \$400 million.

MR. BROWN: Okay, based on our statistics, I think another way to look at it would be to say that on the average of the people that we interviewed, ICR payments are going to run roughly \$88,000, it is also going to cost roughly \$20,000 a year for the grantee to administer the ICR program. Of the \$88,000, the grantee gets to keep \$10,000 or \$8,800. Ten percent--what did I say--10 percent to be used in any way he wants.

MR. PAI: Of course the new law provides that you use the retained 50 percent offset of such administrative cost for ICR.

MR. BROWN: If it costs \$20,000 for you to administer that program, half of \$88,000 can be used to recover your administrative costs. So what you are looking at here basically is about \$24,000 a year after you subtract the administrative costs that the grantee can put into a fund to be used for future expansion or operating a treatment plant. And what we are saying is, it is really not cost effective to generate only \$24,000 a year, considering where you can use the money, and when you compare it to , for instance, overall O&M or your overall capital expansion budgets in a lot of grantee situations.

Have we answered your question? I think we're going all around it.

MR. NAGEL: Maybe that is coming close to it. It looks to me like you are spending 50 cents on collecting a dollar.

MR. BROWN: Basically you are right.

MR. PAI: I think at this time, before we go further into questions, I think we have to give an opportunity to the gentlemen who wish to make a public statement first, and then we can go on with the question and answer session.

MR. HORMBERG: We have no prepared statements in advance. I will pass on to anyone else who has a prepared statement and would like to give it at this time.

I have William E. Korbitz, who has asked for time.

STATEMENT OF WILLIAM E. KORBITZ,

MANAGER, METRO DENVER SEWAGE DISTRICT

MR. KORBITZ: My name is William Korbitz, Manager of Metro Denver Sewage Disposal District No. 1.

I don't have a prepared statement, but I do have some prepared notes which I hope I will be able to assemble into some semblance of a statement at this time.

My first concern is, I think, based on what Mr. Brown had indicated in the early part of the meeting. There were findings that the cost of self-treatment generally by industry

of the wastewater was probably less costly than being part of a POTW. Also that the Industrial Cost Recovery system as a water conservation measure is just not there. That is, there has been no evidence to support that position. As such, I would suggest that these two considerations be removed as reasons for Industrial Cost Recovery system.

I realize what the Congressional history showed. But this would be the price advantage for one industry as opposed to another and water conservation as a reason for Industrial Cost Recovery should be no longer considered.

The first major point I would make concerning Industrial Cost Recovery requirements is that the one area which is completely lacking is a listing of what, if there are any, benefits coming from the Industrial Cost Recovery program. We realize that there would be a great deal of money needed to implement and run the Industrial Cost Recovery system. I have seen estimates of about \$400 million per year. I feel there must be some benefit to justify that program. If the cost is \$20,000 per year for the average grantee, I think there should be some benefit to this nation resulting from that, benefit to water quality, air quality, economy, all the sociological concerns and so on. We have been unable to identify benefits to anyone coming from Industrial Cost Recovery

I think that should be addressed.

Second, the October 4 Preliminary Compilation of Possible Alternatives identifies the elimination of Industrial Cost Recovery revenues as a disadvantage to the termination of Industrial Cost Recovery requirements. Here again I propose of that if the raising/revenues by the federal government is any of the many reasons for the Industrial Cost Recovery system, I propose that that reason again no longer be considered, because as has been pointed out, to spend 50 cents to collect a dollar is much more expensive than any of the revenue raising methods that the federal government has. As such, I say if any of the reasons for ICR is to raise revenue, that reason again be discontinued from consideration completely.

Third, I understand there is a concern, I see there is concern in the October 4 draft that the elimination of Industrial Cost Recovery could lead to the oversizing of treatment works. Again I think from our experience the 201 facility plan system is a much better procedure, much better control over the oversizing of treatment works than Industrial Cost Recovery possibly could be. Based on our experience, just several years delay in having a facility plan approved is one of the most effective methods I have ever seen to control the size of a facility. But I do believe there is a much better mechanism for controlling

the oversizing of treatment works than Industrial Cost Recovery.

The fourth point, dealing with Congressman Roberts' question 7, dealing with the cost of the collection of Industrial Cost Recovery revenues, the cost of \$20,000 per grantee per year does not relate, I think, to agencies such as Metro Denver Sewage District. That could relate to each of our 21 member municipalities. Keep this in mind that in many, many metropolitan agencies of this country, the local agency who is a member of a metro agency has certain responsibilities for administration, monitoring and so on. In our case, the Metro Denver Sewage District also has administrative responsibilities, costs and monitoring to at least some extent, so we can check up on our member municipalities. Also the federal costs are there for also administering, providing administration of this system. So we do feel that probably a cost of \$20,000 to 30,000 per year for the Metro District member municipalities, and Metro District and federal government would go at least several times that great. The cost to industry probably would be minimal, but I think really that the cost at the federal level would not be minimal.

I would like to recommend a course of action for Congress. Primarily our recommendation is elimination of all Industrial Cost Recovery requirements. There are other ways

that I have mentioned to take care of the other problems, revenue, sizing of treatment works, water conservation and so on. I would suggest then that the alternative which should be considered of the 16 or any others which may surface, only abolishment of Industrial Cost Recovery makes any sense whatever.

The two disadvantages which I see mentioned listed on October 4, I think have been addressed. The construction of treatment works larger than is necessary, I am convinced that the 201 facility plan procedure would handle that one hundred percent better than Industrial Cost Recovery. Elimination of Industrial Cost Recovery revenues at the federal government, I think that just does not hold any water whatever, because with virtually no administration, much more money than this can be collected by the federal government.

Also in conclusion, I would suggest that all of the alternatives through 16 would do nothing more than merely extend or increase paper work and administrative costs, again with no resulting improvement in water quality, air quality, or the social status of anybody in our country.

I think the system should show that the major disadvantage to the system is this tremendous administrative cost, administrative difficulty which faces all levels of government, except the state in this case, with no resulting benefit resulting

therefrom. Thank you,

MR. HORMBERG: Thank you, Bill.

We have one card from Mr. Bruce Smith, with a question mark,

MR. SMITH: No, I wouldn't care to speak.

MR. HORMBERG: We will open up for questions now, and if you will, identify yourself, and your affiliation when you ask a question, for the benefit of the court reporter, and we would appreciate it.

MR. SELLARDS: My name is Dave Sellards. I am with Sellards and Grigg, Consulting Engineer, Lakewood, Colorado. I expect that ICR was originally instituted in an attempt to solve a problem or need that was apparent prior to 1972, when Public Law 92-500 was generated.

My question is, has any consideration been given to determine if the same problems or needs of 1972 exist today, and whether or not there really is a need to continue to discriminate between industrial and commercial facilities?

MR. DONAHUE: In looking at ICR, the approach we took was that ICR is a means to an end, not an end in itself, and that the ends were the three objectives that were apparent in the legislative history: The equity or the supposed subsidy to industry from using the public sewer system as opposed to

treating their own sewage; sizing of treatment works and water conservation issue.

We didn't feel it was our privilege to challenge whether or not Congress really was right in saying that these were the reasons for having ICR. So what we did is examine ICR in the light of those three reasons, and basically we find it lacking in respect to all three of them. So we suggest that ICR as presently formulated does not appear to be doing what it was supposed to do, if you make an assumption that the original objectives are valid.

MR. SELLARDS: Perhaps there was a reason prior to 92-500 that industry and commercial facilities were segmented. And maybe the ICR and all of the other works, User Charge, Industrial Cost Recovery, and so on, have kind of brought a focus to industry that perhaps has changed the need for that discrimination. And I suspect that that could in fact be a part or an advantage or disadvantage to what we have already experienced. ICR might have done its job, and may no longer be needed.

MR. DONAHUE: If there had not been the tax changes enacted that have been enacted, it is very possible, I don't really have the data to support it, that ICR may have been an equalizer, that it may have been cheaper for industries to

use a public sewer system than to treat their own sewage. Because of the tax changes that were enacted by other parts of the Congress, the Finance Committee as opposed to the Public Works Committee, now in some cases and sometimes in many cases it is cheaper to self-treat sewage than it is to use the public sewer system. So that that reason probably as such no longer exists.

The issues of sizing of treatment works and water conservation still exists and what we said from data we have collected is that ICR does not appear to be an effective way to control sizing of facilities, and it doesn't appear to have a whole lot of impact on water conservation.

MR. SELLARDS: Thank you.

MR. STEPHENS: Stephens, Englewood, Colorado. My question is, what if any constituency does ICR have other than Congress?

A consumer agency or--

MR. DONAHUE: None.

MR. BROWN: We haven't identified any constituency for it.

MR. DONAHUE: The Advisory Group we have in Washington, made up of about 40-odd individuals; about half of the organizations belonging to that Advisory Group are environmental groups.

Friends of the Earth, the Wildlife Fund, Conservation Fund, Clean Water Action Project. We talked to their people, and their representatives on the Advisory Group, and they don't feel particularly strongly about ICR itself. They are interested in what were the original reasons for ICR, the sizing of plants, water conservation, but they don't really feel strongly about ICR as such. They just see it as a means to an end, not an end in itself. If ^{it} is not an appropriate means to get to that end, I don't think they would feel strongly about finding another means.

MR. CAFARO: Dennis Cafaro, City of Colorado Springs. Let me pose a question to you. Given an equitable user system, one that generates revenues to pay off revenue bonds for expansion, how do you deal with the question when an industry says, well, listen, I am paying my fair share for O&M and also a portion for expansion or pay off on the debt service. Why do we have to pay again for Industrial Cost Recovery?

MR. BROWN: How do you explain it to an industry?

MR. CAFARO: How do you respond to that?

MR. BROWN: About the only way you can respond right now is to say it is a Congressional mandate in the law. Public Law 92-500 requires that industry repay whatever grant monies are used to build capacity for industry on a Publicly Owned

Treatment Works, and you really don't have to justify it any more than that.

MR, DONAHUE: That is not a requirement that EPA invented. EPA is administering the law. EPA didn't write the law.

MR, CAFARO: It seems unreasonable.

MR, DONAHUE: It may be unreasonable. It is the law. You have to abide by the law.

MR, PAI: The major intent was not to subsidize industry, as we discussed many times. Whether that is still the case or not, I don't know.

MR, CAFARO: It doesn't seem fair. If they are paying for that debt service out of User Charge, then they are paying twice.

MR, PAI: Generally your debt service or User Charge, it is not really/sinking funds accounting system. What you do is you really have replacement costs which are just to maintain the operation of the plant itself. It is/for future expansion. I don't know your User Charge system or local debt service, but generally it does not include that future expansion component in cost allocated by industry.

MR, CAFARO: I would think it would. I would think if you spent \$3 million to build a plant, and you have to pay

those bonds off on the plant you just built, then that has to be reflected in User Charge. I don't know if all of them do it that way. We certainly do.

MR. PAI: That is for an existing facility. That is not for future expansion,

MR. CAFARO: The one we just built. We got a grant and built a plant to last us ten years.

MR. PAI: Your point is well taken, Primarily the intent was not to subsidize industry, That is what we are looking at now.

MR. CAFARO: One other point, If we did have to have an Industrial Cost Recovery system, I like the idea of the circuit breaker. It seems to me, though, that 25,000 gallons isn't a good way to approach it. I would think something to the effect of a significant discharge. Now, depending upon what profession you are in, you get into arguments over what is significant. An accountant would say to the penny, someone else might say 15 percent. But it seems to me that 25,000 gallons to a plant like Denver Metro, a population equivalent of 25,000 gallons wouldn't have the same effect as it would on a 1-MGD plant. It seems to me a percentage figure would be the one that would be used. I would throw out something between 1 and 5 percent, something of that nature,

MR. DONAHUE: Thank you. That is a good point.

MR. KORBITZ: Bill Korbitz, Metro Denver. The Association of the Metropolitan Sewage Agencies tried hard and long to go for, say, first they said 10 percent of total flow through and then 5 percent, and then we could see a percent was no dice in the Congressional Committee, and we said, all bravo, we will settle for 100,000 gallons per day, and we wound up with a pittance, 25,000 gallons per day which is still something. But it is not much.

MR. DONAHUE: ~~Rob~~ Ron Linton and Andy Ellicott have been very active in our Advisory Group meeting in Washington.

MR. PAI: Since you are here, Bill, we thank you for some of your members over the country today, they have been very helpful to us, including Chicago, I guess San Francisco, Los Angeles, they are very helpful to us.

MR. KORBITZ: For a good reason.

MR. PAI: Unless we find out what is the real situation, there is very little we can do about it. We do want to do a real thorough fact-finding in order to give credibility to the study.

MR. HORMBERG: Do we have any other questions?

(Discussion off the record)

MR. HORMBERG: Back on the record.

MR. KORBITZ: Bill Korbitz, Metro Denver. This might sound facetious, but I have done a lot of thinking since late 1971 on Industrial Cost Recovery, when it first reared its ugly head. I am convinced that Industrial Cost Recovery is terribly discriminatory against one segment of our wastewater society, industry.

I think if Congress does not eliminate Industrial Cost Recovery, the least they can do is establish commercial connector cost recovery and residential connector cost recovery, which leads to the obvious conclusion that with cost recovery of all monies, taking out 50 percent for administrative purposes, from all segments of our society leads to, I think, the proper conclusion that the entire federal grant program should be abolished. I think then we would save money,

MR. PAI: I always appreciate our thinking in this regard that generally domestic discharge is easier to project than discharge from industrial users. A large industrial user can double his capacity or triple his capacity, which may have a significant effect on the operation of a sewage treatment plant. I think one of the reasons that we are always talking industrial users is just because of that very basic reason, they have so much flexibility in increasing their capacity any time or reducing their capacity at any time, whereas the domestic user simply doesn't have that alternative. He either

has to flush the toilet or else--

So I would appreciate your thinking in that regard. What do we do to help anybody, everybody, our existing users, our future users. What is the best way to put that industrial component in our facility planning or in whatever construction program.

MR. KORBITZ: I would think inverted rate structure would solve the whole problem, that entire problem.

MR. PAI: You mean a User Charge system?

MR. KORBITZ: Yes. The first million gallons cost half of what the second million gallons cost; the third million gallons cost ten times as much as the first. The fourth million gallons costs a hundred to a thousand to a million times as much. It is a relatively simple thing.

MR. PAI: If you are talking about scale of economies, one of the findings we have in this study is, we find that the scale of economy is generally not there. In other words, people say a 2-MGD plant is not twice the cost of a 1-MGD plant. In many cases it is. We come out with a unit cost on a given size plant and we find there is not really a scale of economy there.

I may not say the same thing for O&M cost. The point is, straight User Charges would encourage the industrial user to

save water. But in the meantime, the overhead cost is still there, which will take care of the capacity that is not being currently used.

So what we are saying is more or less we are looking for future customers, and in the meantime existing users are paying for it, and there are times that existing users feel they don't have the obligation, it is a general-- I don't know about the situation in Denver. We just came from D.C. and in Manassas, Virginia, they built some capacity for future growth and when the bill comes in, residential customers say, I'm not going to pay. They had a very strong demonstration and they said, we are not going to pay it. It is oversized, it is too high a level of treatment than what we need, so that we won't pay. It has hit the headlines in Washington, and I wouldn't want to say that is the only case where it would happen.

So we are looking for, what we are looking for is some reasonable way in which we can accommodate growth for industrial growth, for population growth. In the meantime, we try not to put too much existing financial burden on the existing customers. This is something I know is very hard to do. It looks good on paper, and this is the time that again we need people with your expertise. ~~to~~ help us out on this. I don't know whether you agree with my concern or not.

MR. KORBITZ: No.

(Laughter)

MR. ORTHMEYER: I am Frank Orthmeyer, Director, Public Works, City of Grand Forks, North Dakota.

Before we get too far running down the Industrial Cost Recovery, I would like to say that Industrial Cost Recovery has done some good for the cities; and a city, for instance, our size, 40,000 about, there was a time when the industries were being subsidized almost 100 percent for their sewage treatment, in cities our size and smaller. Since the advent of Industrial Cost Recovery, it has got to industries and people who govern the cities, commissioners, to sit down with industries and decide now we have got a problem. You are going to have to help us solve this problem, because some of the sewage--as a matter of fact, in our case, up to 40 percent of the sewage that the city is treating is industrial sewage. We have a point and a place to sit down and start talking to the industries so that we can say to them, now, if we are going to have to apply for a grant to get our sewage treatment plant expanded, so that we can treat your sewage, it is necessary for you to give us a commitment on what you are going to do, even. In many cases we didn't even know what they were going to do two years from the date we were talking about. So we build a plant, and then

it is undersized, because industry didn't sit down and talk to us about it. If Industrial Cost Recovery has done nothing else, it has given us a place to talk to industry. I think that is an important point to make. If Industrial Cost Recovery is that much of a problem, maybe we should go to Alternative 6, where cities themselves could make a choice if they wanted to have industry participate. And get that refunded.

If we are having a problem with the amount of money to administrate this, then instead of refunding the ten percent, we should go to 20 percent or whatever it takes to administrate the cost of getting back the 50 percent to the federal government.

MR. DONAHUE: For the most part, the cities we have talked to, cities or sanitary districts, whoever the grantee was, have been opposed to Industrial Cost Recovery. There are a few isolated cases where people very strongly support Industrial Cost Recovery, and particularly I think of a small mill town in Massachusetts, population of 300 people, big sulphide paper mill. At the time they applied for a grant, they met the criteria for getting the plant. The industry likes it because industry would have had to build its own self-treatment capacity. Instead of that, they got a federal grant to build the thing. They got an interest-free loan for 30 years

while they repay their share of the grant. And the town likes it. Since the industry uses 95 percent of the capacity of the treatment works, the town is collecting a substantial amount of Industrial Cost Recovery.

It is a small town, and ten percent off the top helps them to hold down their property taxes, so they think it is great. But there are very few cases where ICR--as a tool, as you said, to force industry to sit down and commit themselves to something is good; financially, though, most cities don't really like it. And it is also an administrative hassle.

MR. ORTHMEYER: The reason they have a hassle is because they were being subsidized before that time, and there now comes a time when they are not being subsidized out in the open, so they have to sit down and talk about it.

MR. PAI: What you say is very true, taking small to medium size cities which have heavy industries. In larger cities the problem is not there because they usually have a very good arrangement with industry.

Any other?

Harvey has to leave. Thanks for the time you spent with us.

MR. SELLARDS: Dave Sellards again from Lakewood, Colorado. I suspect that any fees or charges that industry has to pay as a result of ICR are simply passed on down the line

eventually to the consumer, and it appears to me that one impact of the ICR is that it is inflationary.

MR. DONAHUE: You're right, industry obviously when it gets a cost, is going to try to pass it on to its customers. One of the questions Congressman Roberts addressed, particularly those places where you have an industry really on the brink of going under--to be specific, the textile industry in New England, where you have old mills, where you have an old city sewer system, where the city for a long time neglected to do anything about upgrading or maintaining the thing. You have an industry that is marginal, competing not only with other parts of the United States, but also competing with foreign producers, and in that kind of case, industry says we just can't pass along ICR charges, the price of our product isn't necessarily fixed by its cost, but by what the market will bear, and in order for us to sell any product at all, we can't charge prices that are much more than foreign producers charge; so we can't always pass along ICR, and it just eliminates whatever slight profits we made already and can be the thing that pushes us under.

So if an industry is in a situation where it can pass along its cost, it certainly will, and it will be like everything else, every other cost increase adds to inflation.

There are a lot of cases where you have got industries

that are in a situation or market situation where they just can't increase their prices. This is one of the concerns that Congressman Roberts voiced,

MR. SELLARDS: Another impact would be that it could contribute to unemployment.

MR. DONAHUE: Everywhere we went we asked if anybody could identify any plant that had closed because of ICR specifically or sewage costs generally. We found several cases, probably a half-dozen around the country, where an industry said that they closed a plant because of sewage treatment costs. And each one of those cases we did exactly the same thing. I wrote a letter to whomever in the companies asking if they would give us details or information about the closing of the plant, and in every case they wrote back and said, of course, and they had press releases and newspaper clippings that had appeared at the time they closed the plant, all that kind of thing, attributing the closing to increased sewage costs because the town built this new gold-plated sewage plant. I would write back and say, okay, with your permission I would like to enclose your letter, the newspaper clippings, the press releases, whatever, an appendix to, and attached to, our final report. And in every case they wrote back and said, why, of course you can do that. It is a matter of public record,

However, you should be aware there are other factors which also influenced the closing of the plant,

So what we found was that industry in those cases was using this--industry didn't want to take the heat locally for closing a plant and laying people off, and they were using this as an excuse. We really couldn't find anybody who said that this is what made them close the plant.

Now, somebody can say, okay, well, if you didn't have ICR, they may have stayed in business. That may have been one thing, but you have a whole pile of things to influence their decision to close the plants. It could just as readily be an increased electric bill, increased union contract, increased water bill, an increased sewer bill; it could be any of them.

So it could be the thing that pushes people under, but it is really hard to pin it down.

MR. PAI: We can say this generally, the Industrial Cost Recovery portion is about 10 to 20 percent of his total sewer bill.

MR. DONAHUE: Right.

MR. PAI: So that gives you an indication as to how significant that ICR is, or how insignificant it is. It generally runs to around 10 to 20 percent of your total sewer cost.

MR. KORBITZ: A couple questions. Bill Korbitz, Metro Denver.

Is it late enough in the Industrial Cost Recovery game for any significant impact of ICR to have surfaced anywhere in the country? I wasn't aware anybody in the country was far enough along so that any plant could possibly have been impacted by ICR?

MR. DONAHUE: A lot of places people said we know what our share is going to cost us. We talked to our local wastewater treatment agency and they told us what we are going to have to pay. I guess the worst case of that that I am aware of, Taunton, Massachusetts, gone to AWT, and they have got some people there with some pretty--they have some textile dyers, and Reed and Barton silverplaters, and a couple other real good industries and they are talking an average industrial sewage rate, including debt service, User Charge and ICR of \$9.20 a thousand gallons.

MR. KORBITZ: I think that should be included in your report.

MR. DONAHUE: Oh, it is,

MR. KORBITZ: The main reason you have not found evidence of ICR having a big impact is because there is no possible way that it could inasmuch as it has not been in

effect.

MR. BROWN: We stated that earlier in our discussion. We said there were two things to consider here. One, it hasn't been around very long. No. 2, because of the moratorium, virtually no one is charging it.

MR. DONAHUE: If we were operating in the private sector a little bit more removed from political considerations, we would probably have said it was too early to do this study. Obay. But Congress by law said, you will do this study, to EPA. So we are doing it. The conclusions we have reached and the estimates we have made are based on the data we have, and we have a pretty good sample of data that exists, but there just isn't that much data that exists.

MR. PAI: One of the things, Bill, we did very extensively, is really getting enough cooperation from the trade associations, like for the industry in the paper mills. So, sometimes, as you point out, they may not see paying ICR yet, but some of them know how much ICR cost they are going to pay. So that is again in our consideration. We are not completely without any data base. We do have some data base. As you point out, unless he starts paying it, he may not feel as bad as he will when he is actually paying it. But we do have some data as to how much they will be paying.

MR. KORBITZ: In this area of course the slaughterhouse, meat packing industry is big to us. Do you have any idea about what impact Industrial Cost Recovery would have on those? Because I know years ago in Omaha we worked with them and set up a separate system, because they said if we must just take care of pretreating our own waste, we are all, 18 of us are going out of business. I was wondering if the same small margin of profit situation exists today?

MR. DONAHUE: We don't have the data with us. We do have data about meat packing plants that will be included in the appendix to our final report. It will be about a foot thick, putting all the data in.

MR. PAI: As far as I know, the six industries we are going to study, the six industries which have been identified as having the most impact by ICR, as we point out, heavy metal plating is another one, food processing is another, textiles is one, and meat packing is one.

As I say, we do get very good cooperation from the trade associations. They give us data on how much they would pay for ICR, and how much it would cost them for pretreatment and to do their own treatment. That's why we come out with this number and say they may be better off, just to go ahead and self-treat.

MR. DONAHUE: Our industrial survey questionnaire asked people, it took a lot of time for people to respond to it; it was not something for people to sit down and check off--a yes or no kind of thing. We asked them what they were paying for sewage now, and we asked them to find out what their sewer bill included. Did it just include the cost of operating a sewer plant or did it include debt service as well? Because a lot of times you bury that in a property tax. We asked people what else was included in their sewer bill. We asked people to compare it now under a User Charge/ICR situation, with before a User Charge/ICR situation. We also asked them if they charge the volume of sewage they were discharging, things like that.

Sure, somebody's sewer bill quadrupled, but they tripled their volume. Okay.

But we also asked them what kind of pretreatment capacity they had, how much self-treatment capability they had, what manufacturing processes they had changed, to reduce the amount of water or the strength of discharge. We asked people, for all three of those things, what the original cost was, how they paid for it, how much per year it cost to operate, and we asked them for an awful lot of data. We asked them how much reduction they had managed to achieve in volume and in TSS and BOD and any other kinds of pollutants that were significant.

We got a lot of data and all of that will be reflected in our final report, and will be available as a matter of public record, to anybody who wants it.

MR. PAI: Another thing, I don't know if you pointed this out, a lot of the cost increases are due to not only the upgrading of the system, but due to a more uniform charge on ICR and User Charge system. Many of them were getting a discount before and don't get a discount now. That alone will increase payment by two times or three times.

There are a lot of reasons contributing to the increased cost to industry; not the least is ICR, I don't think. There are many factors involved in that.

If you come to D.C. next time, during this time, we are going to have a draft report--

MR. DONAHUE: The draft report in mid-November. We are planning to have a meeting of our Advisory Group, I think November 29.

MR. PAI: In the meantime, if you drop by in D.C., we will be happy to share some of the data with you, and show you what we have done at that point. You come to D.C. very often, don't you?

MR. KORBITZ: Too often, but it isn't that often.

(Laughter)

MR. PAI: Drop by, and we'll get together with you and have a look at some of the data that you may be interested in.

MR. BROWN: For anyone that may have written comments, let me just give you our address now. I notice some people are leaving. It is in care of Coopers & Lybrand, 1800 M Street, Northwest, Washington, D.C. Zip Code is 20036.

Our phone number is Area Code 202, 223-1700.

MR. SELLARDS: Dave Sellards again, from Lakewood. I would just like to say your presentation and the papers you have handed out are excellent, and it appears to me you have done a very fine job on this study.

MR. DONAHUE: Thank you.

MR. BROWN: Thank you very much.

MR. O'BRIEN: Mr. O'Brien, Lakewood. In dealing with ICR, one problem I have been having is the definition for an industrial user which also includes commercial businesses, which seems like in a lot of instances, they may just primarily be discharging cooling water. And it just doesn't seem right to me that we should be classifying some of these commercial establishments as an industrial user. I was just wondering, you were interviewing or looking at six million different industries, and I was wondering, were you looking at those

industries which really were not discharging a very bad waste?

MR. PAI: Are you referring to the September Regs?
Did you see the new September Regulation?

MR. O'BRIEN: Yes, it classifies them according to A, B, D, E and I, 20,000 gallons per day, which grocery stores, I believe, I don't have the manual with me--

MR. PAI: They would take out first of all the sanitary waste.

MR. O'BRIEN: A lot of commercial establishments, most of their waste is not sanitary in the sense of sanitary waste coming from a sanitary facility or restroom or something.

MR. PAI: To answer your question, the definition of industrial user has been a very, very difficult one for us. I hope that eventually we can address that question further, depending on what the ICR study will come out with. There is indeed much concern about who are indeed industrial users, because the law gives the Administrator some latitude in defining who they are, but who is to say who is a significant user or who is a significant industrial user or not.

I think the point of confusion is when people say industrial user, they think only industries are industrial users. That is not what is provided in the law or in the reg.

Generally I think that is what is leading to a lot

of confusion.

I agree that the definition of industrial user has been very difficult, even under the old reg, and the same thing under the new reg.

MR. O'BRIEN: Even today, someone gave an example of 8 million gallons, and 2 million gallons, they were talking about a different way of setting up the charges. They lumped residential and commercial in one category, and industrial into another category by themselves. According to the definition, that is really--you have got residential and nonresidential users, not residential and commercial--

MR. BROWN: Take a look at the EPA guidelines that are out now. There are really about five classes of users. Residential, commercial, and institutional, governmental and industrial. And then anybody else you can dream up.

There is one point that I want to make to you which is that in talking to grantees across the country, there is a great deal of flexibility in how you define domestic waste or waste from sanitary conveniences, and if it--if you are having a problem, I suggest you take a look at your definition.

MR. O'BRIEN: It is defined, sanitary waste is defined. I am asking the question. It is defined. I missed that definition.

MR. BROWN: No, you define it.

MR. KORBITZ: That is even better.

MR. BROWN: That gives more leeway. That is what I am trying to tell you. It gives you a great deal of flexibility.

MR. PAI: If you are addressing the definition of industrial user under ICR or under User Charge, that is really two different matters. In a way that industrial user's definition in the User Charge, they do not cause them to pay anything different, rather than to have to be monitored differently. In other words, it is not a different rate to them.

MR. BROWN: I am talking about ICR, the September Federal Register.

MR. PAI: One of the things people are saying about ICR is that we provide too much flexibility.

MR. GREANEY: My name is Bob Greaney, I am with Del-Mont Consultants, Montrose, Colorado.

Have you had any additional comments or inputs regarding impact to seasonal industrial users? Obviously they pay more over a 12-month period but are only in operation for six months. Have you received any input on that?

MR. BROWN: We have received a great deal.

MR. PAI: Particularly from food processors, like

canneries in California. We knew all along that they are the most heavily impacted industry. The same thing with the seafood industry in the New England area. They are very seasonal. When they are using water, they use a lot of it; and when they don't use it, they don't use it at all.

The problem of course is two things. You can argue from both sides. Number one, capacity is there. Just because you don't use it, we close down the facility. Number two, it is not actually using it all year long. So this is a very fine argument, there.

MR. DONAHUE: The three sheets of data from the food processors that were handed out showing cost of self-treatment versus self-treatment with land application versus POTW, it shows pretty clearly the cost of using a public sewer system seasonally.

The seasonal user, they can get away from it; ^{if} they can use a land application, it is probably in their best interest to do so, the community has to build a sewage treatment plant that is empty a lot of the year, and they are getting hit with really high cost for the short amount of time they do use it. Particularly if you get some place like California, where you combine seasonal users, food processors with AWT, it is just an incredible amount of money.

MR. BURKE: Can they subcontract off season their reserve capacity?

MR. BROWN: Nobody uses it, Jerry.

MR. BURKE: I am thinking of the ICR or User Charge.

MR. PAI: Unless you know, we have somebody using from January to March, and another group comes and takes over from April to June, that would be okay.

MR. BURKE: Any instance where this would happen?

MR. PAI: Of course that would be ideal. As a matter of fact, everything would be taken care of, and if the seasonal operation branched out, it would be wonderful.

MR. DONAHUE: You get that kind of situation in a large metropolitan area. When you are talking about seasonal users, you are talking about peak demand. If you have a large metropolitan system, like Denver, okay. You have lots of people having peaks, but there are enough of them in different times so that it averages out that you don't have to consider that peak demand kind of thing is a factor in setting a rate for them. You are not building an extra piece of plant just for them. If you could find--I don't think that EPA would object. I think I can make a pretty good case in arguing with EPA, if you have a situation like that where you have several different seasonal people who peak at different times, and it

averages out, you don't really have that--

MR. BURKE: If a cannery were obligated for 2 million gallons a day reserve capacity three months of the year, you could find somebody else who could take part of that capacity during the winter time, during the off season, there is nothing to keep them from going--

MR. DONAHUE: That's right.

MR. PAI: That is a good point. We can do it administratively.

MR. BURKE: Nothing to keep them from selling their reserve capacity to somebody else during the off season if they can find a customer to do it.

MR. PAI: Any other questions?

Are you associated with the Del Monte Company?

MR. GREANEY: No, just a consulting firm.

MR. PAI: Just curious, because Del Monte is one of the big food companies,

MR. DONAHUE: They cooperate with us pretty extensively.

MR. PAI: Any other? I think this is a very stimulating discussion today. I enjoyed it. I hope nobody would give up at this point. Before you leave, just to say the comment period is extended to October 31, and I will give

you my address, I guess Jerry has it,

My address is John Pai, P-A-I, Mail Code is WH 547, That is my Mail Code, My Zip Code is EPA, Sub-Zip Code, WH 547, U.S. EPA, 401 M Street, Southwest, Washington, D.C., 20406,

Telephone Number Area Code 202, Number 246-8945.

The reason I give you my phone number is, maybe before you write your comments, you may want to call me and talk about something. You are welcome to do that. I return all my phone calls.

If there is no further comment at this point, the meeting is adjourned for the morning session.

We will be back here, not necessarily you, but we will be back here at one o'clock, and we will have a general discussion or chatting with you. We appreciate this opportunity. We will be back here at one o'clock again.

Thank you all for coming.

(Whereupon, at 12:10 p.m., the meeting was recessed, to be reconvened at 1:00 p.m. the same day.)

AFTERNOON SESSION

(1:23 p.m.)

MR. BURKE: The meeting is now open.

Does anybody have any further discussion?

Let's adjourn the meeting.

(Whereupon, at 1:25 p.m. the meeting was adjourned.)